DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

PART 2 (Pages 1–792)

CONSOLIDATED RAIL CORPORATION
DEPARTMENT OF TRANSPORTATION
FEDERAL RAILROAD ADMINISTRATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
NONDEPARTMENTAL WITNESSES
U.S. RAILWAY ASSOCIATION

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

FRIDAY, MARCH 27, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:15 a.m. in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

STATEMENT OF DIANE STEED, ACTING ADMINISTRATOR

ACCOMPANIED BY:

- **MICHAEL FINKELSTEIN, ASSOCIATE ADMINISTRATOR FOR RULEMAKING**
- **LYNN BRADFORD, ASSOCIATE ADMINISTRATOR FOR ENFORCEMENT**
- **CHARLES LIVINGSTON, ASSOCIATE ADMINISTRATOR FOR TRAFFIC SAFETY PROGRAMS**
- **RHOADS STEPHENSON, ASSOCIATE ADMINISTRATOR FOR RESEARCH AND DEVELOPMENT**
- **DANA L. SCOTT, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION**
- **FRANK BERNDT, CHIEF COUNSEL**
- **BARRY FELRICE, ASSOCIATE ADMINISTRATOR FOR PLANS AND PROGRAMS**
- **WILLIAM F. FITZGERALD, DEPUTY DIRECTOR, OFFICE OF THE BUDGET**

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning the Transportation Subcommittee will hear from the National Highway Traffic Safety Administration. Ms. Diane Steed is the Acting National Highway Traffic Safety Administrator.

Ms. Steed, I think you have got a tough act to follow. Yesterday morning I was chairing a hearing on another subcommittee and Leontyne Price testified and sang a great rendition of "God Save the Arts." [Laughter.]

I don't know whether you can come up to the scale of her performance or not, but we are waiting with bated breath to see what does transpire.

Ms. Steed, if you would introduce your associates and then proceed. Your testimony will appear in the record as though given in full and I suggest you might want to highlight it to bring out particular parts of it, but you proceed the way you deem best.

INTRODUCTION OF WITNESSES

Ms. STEED. Fine, Mr. Chairman. Thank you very much.

I am very pleased to be here for the first opportunity to appear before your committee and I would like to introduce my associates that are here.

On my immediate right is our Associate Administrator for Highway Safety Programs, Charles Livingston.

To his right is Rhoads Stephenson, our Associate Administrator for Research and Development.

To my left is the Associate Administrator for Administration, Dana Scott.

To his left is the Associate Administrator for Rulemaking, Michael Finkelstein.

The representative from the Office of the Secretary, William Fitzgerald is sitting to Mike's left.

Behind me I have our General Counsel, Frank Berndt; Associate Administrator for Plans and Programs, Barry Felrice; and our Associate Administrator for Enforcement, Lynn Bradford.

SYNOPSIS OF OPENING STATEMENT

Since you do have the statement, Mr. Chairman, I would like to just say two or three things that I think will summarize it very, very quickly.

The program levels which we are seeking we believe to be in consonance with the President's goals of reducing inflation and trying to achieve a balanced budget.

Under the legislative proposal, the so-called 402 grant program in 1982 is going to be focused on program areas that have shown the greatest potential for reducing deaths and injuries. These are such things as the alcohol safety program, police traffic enforcement, the collection and analysis of traffic accident data, emergency medical services, and other high payoff areas as may be determined by the Secretary.

Our 1982 request seeks no funds specifically for the enforcement of the national maximum speed limit. This is consistent with our view that the 55-mile-per-hour enforcement is primarily the responsibility of the States.

The other area that I would like to highlight is the area of rulemaking. We are undertaking an intensive review to insure that the existing regulations are effective and efficient in addressing critical questions of highway safety.

We are going to make sure that our future regulations will be thoroughly reviewed to assure that the most critical safety problems are addressed and that the industry has sufficient flexibility to use innovative technology in meeting the required standards.

With respect to fuel economy, we don't at this time anticipate that additional Federal standards will be necessary because we believe that market forces are going to overtake that. Our efforts in this area in the future will be directed toward detailed analyses of the domestic motor vehicle industry and the economic consequence of introducing further fuel economy technologies.

PREPARED STATEMENT

With that brief statement, Mr. Chairman, we would be happy to try and answer your questions.

[The statement follows:]

STATEMENT OF DIANNE STEED

This is my first appearance before this Committee, and I welcome the opportunity to present and explain our fiscal year 1982 budget request.

Accompanying me here today are my Associate Administrators: Michael Finkelstein, Rulemaking Programs; Lynn Bradford, Enforcement Programs; Charles Livingston, Highway Safety Programs; Rhoads Stephenson, Research and Development; Barry Felrice, Plans and Programs; Dana Scott, Administration and Frank Berndt, our Chief Counsel.

- Program Reemphasis -

The program levels which we are seeking in the 1982 amended budget are in consonance with President Reagan's goals of reducing inflation, by curtailing Federal spending and employment, by reducing the Government's existing deficit, and by achieving a balanced budget. I would like to highlight modifications in two program areas designed to meet these objectives.

Under the legislative proposal, we intend that the so called "402" grants in 1982 will be focused on programs that have shown the greatest potential for reducing deaths and injuries. These include alcohol safety, emergency medical services, police traffic enforcement, and collection and analysis of traffic accident data and other high payoff areas as may be determined by the Secretary. Our 1982 request seeks no specific appropriation for State enforcement of the National Maximum Speed Limit. This is consistent with our view that 55 mph enforcement is primarily the responsibility of the States.

In the area of safety rulemaking, we are making an intensive review to assure that existing regulations effectively and efficiently address critical questions of highway safety. Future regulations that NHTSA proposes will be thoroughly reviewed to assure that the most critical safety problems are promptly and directly addressed, and that the industry is given sufficient flexibility to use innovative technology in meeting required standards. In the case of fuel economy, we do not at this time anticipate that additional Federal standards will be necessary to insure continued orderly improvement in mile per hour fleet averages to be achieved under present legislation. Our efforts in this area will be directed toward detailed analyses of the domestic motor vehicle industry and the economic consequences of introducing further fuel economy technologies.

I stress again that these changes in emphasis should not be interpreted as a lessening of support for highway safety programs, but as measures required to assure that resources are devoted to the areas of highest potential payoff and greatest need.

- Fatality Trends -

Our latest preliminary estimates indicate that there were 51,704 traffic deaths in 1980. This represents an increase of 1 percent over the number of 51,093 deaths recorded in

1979. The rate of deaths per one hundred million vehicle miles increased by two percent from 3.34 in 1979 to 3.42 in 1980. While any increase in highway deaths is unacceptable, we can point to the fact that fatalities have decreased from a staggering rate of 5.5 fatalities per one hundred million vehicle miles in the mid 60's to the present level of 3.4, a decrease of 38 percent. Although it is not possible to pinpoint the exact factors which should be credited for this decline, it is my belief that programs administered by the National Highway Traffic Safety Administration (NHTSA) since the late 60's have played a very significant role in lowering the national fatality rate.

A recent NHTSA staff analysis identified the factors which will, in all likelihood, have a major effect upon accident and injury rates in the next few years. Some of these are: changes in the vehicle mix involving increases in small cars, heavy trucks, pick-ups and vans, and motorcycles and mopeds; changes in the driver population which will reflect increases in the number of older drivers having a higher than average accident rate; and continued disuse of helmets by motorcyclists. Alcohol abuse will continue to be the most significant causative factor influencing highway deaths. Future planning will stress the manner and extent to which NHTSA programs can address these problems.

- External Impact of NHTSA Highway Safety Programs -

Funds allocated to the States under the State and Community grant program represent only two to three percent of total State expenditures for highway safety. When this amount of funding is made available to the broad range of program areas currently eligible under the State and Community program, it becomes very difficult to document the benefits of the Federal assistance. However, there are program areas where the Federal assistance program has been especially effective in helping the States to initiate programs with their own funds in areas of high potential safety payoff. Some examples of effective State programs initiated with 402 funds are: control of the drinking driver through development of comprehensive alcohol safety programs; improvement of the quality of emergency medical services; upgrading of traffic records programs; and more extensive use of the concept of selectively assigning police traffic service to high accident locations.

More specifically, in the area of alcohol countermeasures, 30 States have established alcohol safety schools for DVI offenders which are self-supporting and DVI arrests have increased from 561,000 in 1969 to approximately 1.5 million today. In the EMS area the number of ambulance technicians with basic emergency medical care training has increased from 13 percent in 1969 to 85 percent today, and the number of ambulances which meet minimum design and equipment standards has increased from 4 percent in 1966 to 85 percent today.

We believe the utilization of Federal 402 funds to initiate the implementation of programs in these identified areas is an appropriate role for the Federal government, and we believe the concentration of 402 funds in these areas does and will continue to show payoff.

A companion effort is NHTSA's highway safety research, development and demonstration program under Section 403. These activities are designed to improve the efficacy of State highway safety programs, financed either from Federal grants or State funds. One of the principal goals of this program is technology transfer which involves delivering effective countermeasures to the States and providing them with technical assistance in their implementation.

-Cost of Regulations -

I know the cost of the Federal regulatory process is of vital interest to the Congress. Our principal areas of concern with respect to the cost to the private sector of complying with Federal regulations are motor vehicle safety rulemaking and vehicle fuel economy regulations. We are currently reviewing all pending and proposed safety rules with an eye toward deleting those rules which do not directly reduce peril to human life and whose costs clearly reach beyond any realistic gain in benefits for the motoring public. At the completion of these reviews I expect to have an up-to-date assessment of the costs which I am sure will be of interest to the Committee.

Today, I am able to provide certain limited cost estimates developed by NHTSA under the prior Administration. I want to add the following disclaimer before proceeding, Mr. Chairman. In all likelihood, the dollar estimates I'm about to provide you are understated in terms of today's costs.

The Agency estimated that the consumer price increase associated with compliance with all 1978 passenger car safety regulations was less than $300 (in terms of 1978 dollars), when compared with pre-standards cars. This figure included manufacturer and dealer profit. I might add that there are higher industry estimates in the range of $450 to $500. The industry relies on Bureau of Labor Statistics (BLS) data in developing its estimates. The record indicates that the Agency and the industry never found a mutually acceptable method of estimating costs. I will in the next weeks be placing the highest priority upon identifying the reasons for the differences in cost estimates, and attempting to reach a more broad consensus upon this important subject.

It should also be stated that based on industry data supplied to BLS, recent safety regulations in the 1975 - 1979 time period added $37 to the price of a car. This increase accounted for 2.2 percent of the $1,700 price increase in typical cars during that same period, according to BLS data. Therefore, most of the initial price increases for regulations occurred in the late 1960's and early 1970's.

I am now in no position to endorse or reject these previous estimates. Our current work will sharpen our approach to sorting out those rules which directly effect the saving of human life, and then those that make sense from a cost-benefit standpoint from those that do not. When the Agency has reached its conclusions I will be pleased to provide whatever further information may be thought useful by the Committee.

- Budget Overview -

For 1982, we are requesting a total program level of $170.1 million which includes $93.1 million for the Operations and Research Appropriation, and $77 million for the State and Community Highway Safety Grant Program. This compares to a total program level of $275.2 million in 1981. The decrease of $105.1 million is almost entirely related to a reduction in the activities which will be funded under the grant program.

Operations and Research

In 1982, we are seeking $93.1 million for this appropriation, which represents an increase of $6.8 million over 1981. While most major programs are funded near the 1981 level, additional funds are requested for the Research and Analysis budget activity to continue the expansion of the National Accident Sampling System (NASS) and to intensify efforts in the area of Passenger Vehicle Research.

Under the 1982 proposal the NASS system which provides critical data to guide NHTSA program efforts will increase by $7.1 million. For passenger vehicle research, the additional funds sought for 1982 are needed to develop anthropmorphic dummies which in crash tests, will respond more like humans than current test surrogates do. Superior test devices will allow us to consider eliminating regulations addressed to vehicle components, and concentrate on relatively fewer standards focused on the overall level of vehicle safety.

With respect to the research activities of NHTSA I want to assure the Committee that I will be placing priority attention upon a detailed review of the policies and procedures by which our research efforts are proposed, undertaken, reviewed and used by the highway safety community, the industry and others.

State and Community Highway Safety

As noted above, the amount of $77 million requested for the grant program in 1982 includes no specific funding for State enforcement of the National Maximum Speed Limit. This does not, however, preclude the States from using Entitlement Grant funds for 55 mph enforcement. We will submit authorizing legislation which will allow us to focus on programs that have shown the greatest potential for reducing deaths and injuries. The reduced grant level in 1982 will continue the Federal role in highway safety where it is appropriate and has proven the most effective.

Staffing

We are requesting 686 permanent positions for 1982, which represents a reduction of 111 positions below the revised 1981 level (797). We expect that our principal staffing reduction will be in the area of grant program support. This reflects our intent to simplify Federal management requirements and diminish both Federal and State workload with respect to the development, review, and approval of individual State highway safety plans. In other words, coincident with focusing the uses of grant funds to areas of highest benefit, we will be simplifying and streamlining the application process. We will continue to emphasize monitoring and evaluating State projects and will seek to improve technology sharing with all the States.

With respect to staffing reductions shown in other program areas, I have not had an opportunity to review NHTSA's programs and organizational structure in thorough detail. This will be one of my highest priorities for the very near future. This review will probably result in some further adjustments in the alignment of our permanent positions to improve program management.

This concludes my statement, Mr. Chairman, I will be pleased to answer any questions that you or members of the Committee have concerning our budget request.

BIOGRAPHICAL SKETCH

Miss Steed comes to NHTSA from the Office of Management and Budget, where since 1978 she had been Chief of Regulatory Policy. In that position she designed a system for improving the management of the regulatory process and reducing the burden of government regulations and paperwork.

From 1975-1978, Miss Steed served as Deputy Chief of the Economics and Government Management Division where she was instrumental in the drafting of legislation to deregulate the airlines, railroads and trucking industries and the development of other regulatory reform initiatives.

From 1973-1974, she was the OMB Management Associate in charge of management-by-objectives programs for the Department of Transportation and the General Services Administration.

From 1972-1973, Miss Steed was a senior budget analyst with ACTION. From 1968-1972, she worked as a management analyst with the Defense Contract Administration Services, Defense Supply Agency, where she was selected as one of the Top Ten Outstanding DSA Personnel in 1970. She began her federal career in 1967 as a management intern with the Defense Supply Agency.

A native of Hutchinson, Kan., Miss Steed holds a B.S. degree from the University of Kansas and has done post-graduate work at George Washington University. She was born on Nov. 29, 1945, and resides in Washington, D.C.

BIOGRAPHICAL SKETCH

MICHAEL M. FINKELSTEIN (Mike)

Associate Administrator for Rulemaking
Department of Transportation
National Highway Traffic Safety Administration
400 7th Street, S.W.
Washington, D.C. 20590
(202) 426-1810

Columbia University (B.A., 1964), Rutgers University (M.A., 1965)

In present position since April 1978. Responsible for the management and operation of the NHTSA's regulatory programs. The Agency promulgates motor vehicle safety regulations for all classes of motor vehicles, establishes fuel economy regulations for passenger cars and light trucks, and provides consumers with information as to the relative safe performance of motor vehicles.

Previously served as Associate Administrator for Planning and Evaluation, National Highway Traffic Safety Administration, Department of Transportation (October 1976 to April 1978). From May 1972 to October 1976, was Chief, Highway and Mass Transit Programs Division, Office of Planning and Program Review, Office of the Secretary, Department of Transportation.

DOT Outstanding Achievement Award, 1977
Secretary's Special Achievement Award, 1975
DOT Superior Achievement Award, 1973
Outstanding Performance Award, 1973

Member, American Society for Public Administration

ORGANIZATION: Enforcement - NHTSA

NAME: Lynn L. Bradford

DATE OF BIRTH: November 9, 1928

POSITION TITLE: Associate Administrator for Enforcement

DESCRIPTION OF CURRENT POSITION

Associate Administrator for Enforcement. Mr. Bradford is responsible for developing and administering a law enforcement program covering all Federal laws, standards and regulations pertinent to vehicle safety, fuel economy, damageability, consumer information and odometer fraud. Responsible for all investigatory inspections and tests of vehicles for non-compliance with laws, standards, and regulations affecting vehicle safety, fuel economy, damageability, and odometer fraud. Responsible for investigations, inspections and tests for defects in vehicles or equipment, for enforcement of noncompliance and defect recalls, and for the reporting requirements and related provisions of the Motor Vehicle Safety Act and the regulations issued under it.

PRIOR EXPERIENCE

1977-1979	Director, Office of Defects Investigation - NHTSA
1974-1977	Director, Crash Avoidance Research Division - NHTSA
1971-1974	Director, Office of Operating Systems Research; Director, Office of Structures Research - NHTSA
1968-1970	Senior Staff Engineer, National Highway Safety Bureau

1963-1968 NASA, Director Lunar Mobility Group (Surface and Flight)
1962-1963 NASA, Manager, OAO and Numbus Satellite Launch Vehicles
1958-1962 U.S. Army, Ballastic Missile Agency - Chief, Ground Support Equipment Branch
1955-1958 Army Officer, Ordnance Corps.
1951-1955 Project Engineer, Guided Missile Warhead Branch, U.S. Navy Ordnance Laboratory

EDUCATION

BSME - 1951 - Wayne State, Detroit, Michigan

Variety of Missile courses, Ordnance courses, Computer and Cyrogenic Engineering courses, Management and Training courses.

BIOGRAPHICAL SKETCH

CHARLES F. LIVINGSTON

Charles F. Livingston was appointed Associate Administrator for Traffic Safety Programs on July 20, 1979. Prior to this appointment Mr. Livingston was the Deputy Associate Administrator for Traffic Safety Programs, and had been the Director, Office of Driver and Pedestrian Programs since 1974.

A native of Pennsylvania, Mr. Livingston holds a Bachelors Degree in Business Administration from Concord College, Athens, West Virginia, and attended Graduate School at the University of West Virginia, majoring in Industrial Relations.

During his tenure as a Department of Transportation employee, Mr. Livingston has been Program Management for NHTSA's Research Institute; Special Assistant to the NHTSA Deputy Administrator; Director for the Office of State Program Assistance, and Director for the Office of Alcohol Countermeasures.

Mr. Livingston is the recipient of many awards, including the 1966 Edition of Outstanding Young Men of America; Outstanding Performance Awards in NHTSA (1970 and 1971), and the Secretary's Award (Department of Transportation) in 1973 and 1976.

He lives in Rockville, Maryland, with his three sons -- Chris, Mickey, and Dirk.

BIOGRAPHICAL SKETCH

DR. R. RHOADS STEPHENSON

Associate Administrator for Research and Development
Department of Transportation
National Highway Traffic Safety Administration
400 7th Street S.W.
Washington, D.C. 20590

Carnegie Mellon University (Ph.D. Mechanical Engineering, 1961)

Dr. Stephenson is responsible for all NHTSA research in highway traffic safety.

An authority in the field of automotive engine technology, Dr. Stephenson, 42, was most recently employed by the Caltech/Jet Propulsion Laboratory in Pasadena, California. He is a native of Evanston, Illinois and

received his Ph.D. in Mechanical Engineering in 1961 from Carnegie Mellon University in Pittsburgh.

Dr. Stephenson's responsibilities at Jet Propulsion Laboratory, (JPL) as Manager of the Systems Analysis Section, were concentrated on advanced automotive engine technology; electric and hybrid vehicles; several urban transit systems; solar, geothermal and other emerging energy sources; and environmental analyses.

Among his major accomplishments at JPL, Dr. Stephenson was a key participant in an evaluation study for Ford Motor Company of advanced automotive engines that could be considered as alternatives to conventionally designed automobile engines. The final report of that study, entitled "Should We Have a New Engine?, An Automotive Power Systems Evolution" was published in August 1975 and received widespread attention. On the basis of his work in this area, he was selected as a National Aeronatics and Space Administration representative and served on the design panel of the government-wide study of "Motor Vehicle Goals Beyond 1980."

DANA L. SCOTT

BIOGRAPHICAL SKETCH

Mr. Scott was born in Takoma Park, Maryland, on January 12, 1928. Following graduation from public schools in Washington, D.C., he attended Yale University where he received several academic scholarships. He was elected a member of Phi Beta Kappa honorary society in 1948. Upon graduation in 1949, Mr. Scott attended Yale Law School and later, George Washington Law School in Washington, D.C., He took additional graduate courses in political science at GW University.

Mr. Scott entered the Federal Service in 1951 as a Management Intern in the Navy Department. In 1960, he transferred to the Federal Aviation Agency and from there moved to the Office of the Secretary of Transportation in 1967. He was reassigned and promoted to his present position in 1970. His record since coming into the Federal Service has been marked by diversity of assignments, unusual initiative, and outstanding achievement.

Mr. Scott, his wife Margaret, and 3 of their five children make their home in Annadale, Virginia.

CURRENT POSITION

Associate Administrator for Administration, ES-4

CURRENT DUTIES

Serves as the administrative program manager for NHTSA and is a member of the Administrator's key staff. Directs the execution of a comprehensive program of administrative and management support for NHTSA, both at the Washington headquarters and its ten Regional Offices, including: personnel, budget, management services, computer support, contracts and procurement, financial management, and administrative services.

PREVIOUS AWARDS

Superior Performance Citations 1953 and 1954
Quality Increases 1958, 1965, 1966 1967 & 1969
Superior Achievement Award 1958
Sustained Superior Performance Awards 1963 and 1964
Outstanding Performance Ratings 1964, 1967, 1970, 1977 and 1979
Secretary's Meritorious Achievement Award 1969 and 1979
NHTSA Administrator's Award for Exceptional Achievement 1971 and 1976

January 1981

BARRY FELRICE

620 Goldsborough Drive
Rockville, Maryland 20850
Phone: (301) 340-8185

Place of Birth: Brooklyn, New York
Date of Birth: June 16, 1945
Height: 5' 10"
Weight: 155 pounds

Married; Wife - Joan
Children (Age): Stefanie (7)
Jessica (4)

EDUCATION

Attended public schools in Brooklyn, New York

High School: Brooklyn Technical High School, Graduated - June 1962

Colleges: City College of New York, Bachelor of Civil Engineering, June 1967
Northwestern University, Master of Science (Civil Engineering), September 1968

Major Subjects: Transportation/Urban Planning
Highway Engineering

EMPLOYMENT EXPERIENCE

July 1979 - Present:

Associate Administrator for Plans and Programs
National Highway Traffic Safety Administration
U. S. Department of Transportation

March 1978 - July 1979

Acting Associate Administrator for Plans and Programs
National Highway Traffic Safety Administration
U. S. Department of Transportation

Principal advisor to NHTSA Administrator in all matters relating to Agency policy and in the development, implementation, and evaluation of NHTSA programs. Responsible for developing long-range program goals and plans for achieving those goals. Directs a high level staff in the areas of program and policy planning, program analysis, economic impact analysis, and program evaluation.

February 1977 - July 1979

Director, Office of Program and Rulemaking Analysis
National Highway Traffic Safety Administration
U. S. Department of Transportation

Responsible for the conduct of economic/inflationary impact assessments of NHTSA rulemaking and program activities. Independent and chief advisor to the Administrator on costs of motor vehicle safety, fuel economy, and damageability rules and economic consequences of them. Recommend continuation, modification, or cessation of rulemaking actions based on analyses performed.

Barry Felrice

September 1963 - February 1977

Highway Engineer
Federal Highway Administration
U. S. Department of Transportation

Occupied a succession of positions in the policy planning offices of FHWA. Assisted in the development of legislative recommendations for the highway program. Prepared substantive budget issues for the Secretary. Active in the area of financing of highway programs. Authored major portions of several reports to Congress on highway needs and financing and participated in several Federal/State/Local highway needs and classification studies.

PUBLICATIONS

Financing Federal-Aid Highways, FHWA, US DOT, January 1974

Financing Federal-Aid Highways -- An Amplification, FHWA, US DOT, July 1974

Financing Federal-Aid Highways -- Revisited, FHWA, US DOT, July 1976

The Contributions of Automobile Regulation, NHTSA, US DOT, June 1978

The Effects of Automobile Regulations on Industry Competition, NHTSA, US DOT, November 1979

AWARDS

Senior Executive Service Bonus ($5,000), December 1980

Secretary's Award for Meritorious Achievement, September 1978

Federal Highway Administrator's Award for Superior Achievement, October 1975

Outstanding Performance Ratings, 1975, 1979, 1980

Quality Increase, March 1976

Cash Award, March 1979

FRANK A. BERNDT

Chief Counsel
National Highway Traffic Safety Administration

DESCRIPTION OF CURRENT POSITION	Chief legal advisor to NHTSA Administrator and Deputy and other key agency officials. Direct day-to-day activities of legal staff in areas of rulemaking, litigation, legislation and general law.
PRIOR EXPERIENCE	1978-1979 - Associate Administrator for Enforcement, NHTSA 1977-1978 - Deputy Chief Counsel, NHTSA 1975-1977 - Acting Chief Counsel, NHTSA 1970-1975 - Assistant Chief Counsel for Litigation, NHTSA 1967-1970 - Assistant to Member John Fanning, National Labor Relations Board

	1962-1967 - Litigating Attorney in National and Field Offices, U.S. Department of Labor	
EDUCATION	LL. B. 1962 - Case-Western Reserve University Law School	
	B.A. 1950 - Ohio State University	
BAR ADMISSIONS	Ohio U. S. Supreme Court Various Federal Courts	
HONORS AND AWARDS	Dean's List College	
	Associate Editor, Law Review	
	Sustained High Quality Performance	NLRB 1969
	Sustained High Quality Performance	DOT 1973
	Sustained High Quality Performance	DOT 1974
	Secretarial Award	DOT 1976
	Sustained High Quality Performance	DOT 1976
	Outstanding Performance	DOT 1977
	Outstanding Performance	DOT 1979
	Outstanding Peformance	DOT 1980
	Administrator's Award	DOT 1980

SENATE BUDGETARY REVIEW PROCESS

Senator ANDREWS. Thank you so much for summing up a very complete and concise statement. The way you did it will give us a little bit more time for questions and for the exchange of some ideas. It helps us get a better handle on what you are really doing.

You know, because of the challenge we have, the more detail we can get in the record and the more backup information we have, the more we will be sure that we haven't overlooked something in this bill.

Ms. STEED. Certainly.

FEDERAL REGULATORY PROCESS

Senator ANDREWS. To what extent is the Federal Government responsible through regulatory burdens or otherwise for some of the existing financial problems in the domestic automobile industry? We keep hearing this and I have listened to it on the radio and see it on my television set and read in the newspapers that the reason we have got all these Japanese imports is because the American automobile industry simply can't compete because of the regulatory burdens that are placed on them.

You are one of those regulators. So what do you have that could shed some light on that recurring comment?

Ms. STEED. A recent regulator, I might add. Up until about 4 weeks ago I was at the Office of Management and Budget as a regulatory reformer. So this is a very new area where I find myself on the other side.

Senator ANDREWS. That is why I thought you could very specifically shed light on that particular problem. I tried to be a regulatory reformer, too. I have gotten into those problems in hassles with the Federal Trade Commission and some of the others in the years I have spent in Congress. So welcome to the club.

Ms. STEED. Thank you.

Undoubtedly Federal regulations have added to the costs that are facing the industry today and have probably contributed to the problem that they find themselves in right now.

That is one of the things that we are attempting to address right now in connection with the Secretary's auto study and in connection with a very intensive review of our own regulations.

We want to go through them regulation by regulation and take a look and see that they are absolutely focused on the real safety questions and do something about the safety problems that we have found. We know that there are regulations out there that create administrative burdens. Even though they may not place large amounts of direct costs on the industry, just having them out there with the attendant reporting requirements and so forth do add to the burdens of the industry. We are planning to go through them very, very carefully to minimize those burdens in the future.

ECONOMIC IMPACT STATEMENTS

Senator ANDREWS. As you know, we have environmental impact statements that by law we require of the various agencies. The Highway Department when they build a new road has to give an environmental statement of what the construction of that road will mean. Have you ever given any thought to the merit of having economic impact statements so that we go to the regulators and protect the public's right to know by having those regulators include with their regulation an economic impact statement crafted very much like an environmental impact statement?

Ms. STEED. We certainly have. It is not only feasible but we are doing it to some extent today. I believe we started that sort of thing back in 1974 with President Ford's inflation impact program and it has undergone a number of changes since that time.

We do have a regulatory analysis document. Under President Reagan's new Executive order I believe it is called a regulatory impact analysis of the costs and benefits of regulations. That is a part of the public record so that the public does understand exactly what it is going to cost them.

Senator ANDREWS. We tried that some time ago in the sixties or very early seventies. I remember my chairman back then was Jamie Whitton and I was the ranking member of a subcomittee at that point in time and we handled the Federal Trade Commission, the Food and Drug Administration as well as the Environmental Protection Agency and the Consumer Products Safety Commission. We put in our bill the request that economic impact statements be settled.

When we came over to what we then called the other body and we got shot down in conference by the Senators who were very, very, I shouldn't say objectionable, but they sure objected to what we put in and we didn't get that quite through then. [Laughter.]

We still don't have, through Government, a legislative requirement for this type of an economic impact statement, however, do we?

Ms. STEED. It is not a legislative requirement but it is required to be issued with major regulations today by the Executive order.

Senator ANDREWS. So any action that you take from now on will have this type of an economic impact statement?

Ms. STEED. Yes, sir. We are required by the Executive order to do that.

REGULATORY COORDINATION

Senator ANDREWS. Have the problems in the automotive industry been increased by uncoordinated and conflicting safety, environmental, and fuel economy regulations or have these regulations been somewhat coordinated?

Ms. STEED. There is a tradeoff between fuel economy and safety and environmental issues, a weight tradeoff that we have to consider very, very carefully.

As I understand it, when the fuel economy program was put into law and given to our agency to administer, part of the reason they gave it to NHTSA was because of our background in the industry and our ability to assess the additional weight problems that would be caused by making the car more safe as opposed to the tradeoff of making it lighter and therefore more fuel efficient.

So those decisions must be very carefully coordinated. To the extent that there are similar decisions in the future, they will be carefully coordinated. We plan on working very closely with agencies like EPA and Energy.

REGULATORY COST ESTIMATES

Senator ANDREWS. When are you going to complete your analysis of the difference between industry and the National Highway Traffic Safety Administration's estimates of the increased auto cost resulting from Government regulations?

Ms. STEED. I don't have a specific date. We are, as I mentioned earlier, in the midst of this review of regulations and that includes a review of the cost of these regulations.

Senator ANDREWS. Well, are you providing an analysis or doing an analysis of what the industry claims the cost of these are and what you claim the costs are?

Ms. STEED. We are doing that as we address the individual regulations, Mr. Chairman. As a matter of fact, we are in rulemaking right now, as you know, on the passive restraint question and we are working with them at this point on cost and benefit estimates.

Senator ANDREWS. If you could provide a progress report of what you are doing it would be of help to the committee. I recognize you may well not have your complete statement done because that is a couple of weeks down the pike, but if we could get a progress report giving us some insight as to what you are turning up it would be helpful.

Ms. STEED. Certainly. We would be happy to do that.

[The information follows:]

NHTSA REVIEW OF REGULATIONS

On April 6, 1981, the NHTSA transmitted to the Federal Register a Notice of Intent regarding a comprehensive review of (1) existing standards and regulations (2) those standards or regulations (or modifications thereof) which have been adopted in final form but the effective date of which has not yet been resolved, and (3) those pending proposals to adopt or modify standards or regulations which are currently subject to notices or advance notices of proposed rulemaking but which have not been adopted in final form.

NHTSA has undertaken this review to determine what, if any, modifications to its standards and regulations may be appropriate to reduce regulatory burdens upon the regulated industries without jeopardizing the safety or consumer-related goals and policies established by Congress in its related legislation.

The following is a list of actions NHTSA has taken or is preparing:

1. Delay implementation of first phase of "208 Standard." NHTSA is publishing in the Federal Register a final rulemaking to grant a one year delay in the implementation of the first phase of FMVSS No. 208 relating to automatic occupant protection requirements for large cars (see Notice of Proposed Rulemaking, 46, Federal Register 12033, February 12, 1981).
2. Review requirement that manufacturers install automatic occupant restraints, e.g., air bags or automatic belt systems to protect all front seat occupants beginning in Model Year 1983.
3. Modify the existing bumper standard to meet the statutory requirements that such a standard be as cost effective as possible.
4. Rescind the "Fields of Direct View" requirements for passenger cars.
5. Terminate rulemaking on "Fields of Direct View" for trucks, buses and multipurpose passenger vehicles (MPV's).
6. Withdraw the ANPRM on post-1985 fuel economy standards.
7. Amend the regulation creating the Uniform Tire Quality Grading System.
8. Amend the regulation on Safety Belt Comfort and Convenience.
9. Terminate rulemaking on safety problems associated with Multiplied Rims.
10. Rescind the standard on speedometers and odometers.
11. Propose a one-year deferral of the effective date of the Theft Protection Standard and deletion of the key removal provisions.
12. Propose modifications to the recently issued Hydraulic Brake Performance Standard for light trucks, buses and vans.
13. Propose termination of the rulemaking on Low Tire Pressure Warning Indicators.
14. Propose eliminating information requirements on Tire Reserve Load, and reducing the minimum advance notice required from manufacturers for consumer information.
15. Terminate rulemaking on design testing and labeling of batteries.
16. Streamline and reduce fuel economy reporting requirements.
17. Propose changing Federal Vehicle Identification Number requirements from a Federal Motor Safety Standard to an administrative regulation.

These actions or proposed actions are treated in more detail in the Federal Register, Vol. 46 Page 21205 of April 9, 1981. Also, the final rule granting a one year delay in the implementation of the first phase of Federal Motor Vehicle Safety Standard No. 208 relating to automatic occupant protection requirements for large cars is contained in the same Federal Register issue on Page 21172. The notice of proposed rulemaking on what further action to amend Standard 208 might be appropriate is contained in the same Federal Register issue.

Proposed actions other than the above will be noticed, the interested parties and the public will be offered time to comment and analyses of comments will be made prior to final action.

FATALITY RATE REDUCTIONS

Senator ANDREWS. What actions taken on the part of the National Highway Traffic Safety Administration can you identify that have contributed to lowering the national fatality rate on highways since the late sixties?

Ms. STEED. We have looked at that and probably the three things that we can point to that have actually made the biggest impression in lowering the accident rate and lowering fatalities are probably the most controversial, the 55-mile-an-hour speed limit, motorcycle helmet laws, and occupant restraints, seatbelts, in other words.

There are a number of other things in our 402 grant program, for example, that although are harder to come up with direct correlation statistics, we do know have made an improvement in highway safety. Our alcohol safety programs, for example, and other individual projects have made an enormous contribition. Some of the things that we are doing with grant moneys in the area of child restraints, for example, are really showing benefits.

SPEED LIMIT RELATIONSHIP TO FATALITIES

Senator ANDREWS. Do you find that you are lowering fatalities on the off-Interstate System at a percentage equal to the lowered fatalities on the Interstate System? Have you compared the two?

Mr. LIVINGSTON. The Interstate System has shown the greatest percent reduction in fatalities since the lowered speed limit, and remains the safest road system. There is a beginning rise in fatalities on the off-system since the speed has been lowered on that system. We think that is basically the alcohol problem and that is why we are putting so much emphasis on alcohol safety programs again, as we did in the early and midseventies, because we think that is an off-system fatality problem.

Senator ANDREWS. But you lowered the speed limit on the off-system, too. They were very often in the 65-mile-per-hour range and now you have lowered those to 55 miles per hour, but you are not finding a decrease in fatalities in the off-system?

Mr. LIVINGSTON. All systems that we had measured that had previously had a higher speed limit had a reduction when 55 came in. I am talking about off-systems at lower speed limits, for example, the 45- and 35-mile-an-hour secondary roads. That is where fatalities are increasing.

Senator ANDREWS. But are you getting more benefit from the speed limit on the off-system than you are on the interstate or more on the interstate than on the off-system?

Mr. LIVINGSTON. I believe the figures now show a larger increase in reduction of total fatalities on the off-Interstate Systems that were previously higher than 55.

Senator ANDREWS. Our State is one that has voted in the legislature to allow an increase in speed. You look at the fatalities and you begin to wonder if there might not be a moderating place where we say, fine, maybe increase it on the Interstate System to 65 miles per hour but on the off-Interstate System keep it at 55 miles per hour to gain the benefits that we have received. That may be one way of mastering it. I would hate to see it go back up in the area of congested roads where they simply don't have the safety factors and the engineering factors to justify 65- to 70-mile-an-hour speed limits.

Do you have any figures that could shed any light on that type of approach?

Mr. LIVINGSTON. Yes, sir. In fact, we are looking at some of those alternatives and options right now. We haven't completed our study but we feel that is something that needs to be considered in the decisionmaking process.

Senator ANDREWS. Is the reduction in the fatalities on the interstate more in line with the reduction of travel on the interstate or is it an absolute reduction in fatalities?

Mr. LIVINGSTON. The Interstate System in 1974 had the largest percentage reduction of fatalities of any system when this law first came into effect. In 1973 there were I believe 4,900 fatalities on the Interstate System and in 1974 there were 3,300. I believe the 1979 figure has gone back up to about 4,700 fatalities on the Interstate System. It has been gradually going back up, but the mileage has steadily increased on the Interstate System, surpassing 1973 mileage.

Senator ANDREWS. What explanation do you have for these recent increases, just strictly the mileage in travel going up or have you found other factors?

Mr. LIVINGSTON. In the 1978–79 timeframe the speeds started going up again so you have a combination of more mileage and more speed, and then the change in the mixture of the small and large cars and the large truck situation on that system.

Senator ANDREWS. In other words, you are finding an upward curve in fatality rates due to the fact that more and more individual's private cars are smaller than they used to be?

Ms. STEED. We think that is a contributing factor, yes, sir.

NHTSA ROLE IN HIGHWAY SAFETY

Senator ANDREWS. What is the proper role for NHTSA in addressing the factor that you have identified as contributing to accident rates in the next few years? You mentioned 1 minute ago the use of section 402 funds to initiate programs to respond to these factors. Where is the line drawn between where initiation ends and subsidy begins?

Ms. STEED. We believe it is our responsibility, Mr. Chairman, to seek out innovative ways and different ways of bringing the fatality rates down and providing kind of, if you will, venture capital or seed money to the States to help them initiate and adopt some of our programs that we find could be effective.

I think it is at that point that we have to stop. We provide them the seed money and we encourage them to spend their own State funds on programs that we know are going to have an effect or we certainly hope are going to have an effect on the fatality rates. Once we get them started we think that is the point where the Federal Government can withdraw.

Senator ANDREWS. Should more emphasis be placed on the human aspects of highway safety and less on the mechanical aspects?

Ms. STEED. I think we had better take a look at that. Unfortunately, we can't legislate or regulate safety directly right into the car. We have to deal with human factors and human behavior. That is a tough question and a tough problem to deal with to get people to do the right thing. If we could get people to buckle up their seatbelts it might be the single most important thing we could do to save lives. It is really a tough thing to do and it is one of the areas that we are going to be looking at very hard.

Senator ANDREWS. Well, what kind of controlability do you have over those aspects of accident casualties? What really is your role in this regard? We tried the mandatory buckle up mechanisms and those gadgets aren't exactly infallible. How do you teach people to be more sensible in regard to preserving their own lives?

Ms. STEED. We have a real challenge with public education and public information. For example, several years ago we had a number of public service announcements that were shown around the country on alcohol countermeasures designed to stop driving while you are drinking. We found they were very, very effective, and we hope to start those up again.

We are doing a number of workshops around the country to teach people the importance of buckling that seatbelt and the importance of having child seating restraints in their cars.

So it really is a public information and public education role and that is always a tough thing to undertake.

Senator ANDREWS. Can you prove any connection between Federal programs in this line and traffic fatalities?

Ms. STEED. It takes a long time, as you know, with public education programs to be able to show over a period of time the improvements and the direct correlations. We do see favorable results, as I said earlier, on individual projects where States adopt, for example, our alcohol program. We do see driving fatalities, for example, going down. We see arrest rates going up and we see the public beginning to respond to that sort of thing. So in small individual cases you can see direct correlations. As far as national statistics go, that takes a while.

Senator ANDREWS. But you think it is a valuable program?

Ms. STEED. Yes, sir, we sure do.

GRANT PROGRAM REASSESSMENT

Senator ANDREWS. You have recommended reductions in Section 402 grants from $177 million to $77 million. How did you reach that figure? Was that just a convenient way to lop off a one at the end of the number? [Laughter.]

For what purpose are you going to use the $77 million in highway safety grants and why did you drop 100 instead of the 77?

Ms. STEED. We took a very, very close look at the types of things that are being funded. As you know, we don't have line-item funding for any particular program. We fund proposals that the States submit to us and they have been submitting proposals in a number of areas over the years.

We went back through the kinds of projects that were being funded by the States and made a judgment as to how effective these programs were. We cut out a number of the things that we felt had not been so effective in the past, things like driver licensing and driver education that are harder to prove a direct correlation between the money spent and the actual reduction in fatalities and accidents.

We cut out things like giving States money to buy bear suits so that State troopers can go into schools. It is very hard to prove a direct correlation there.

We cut out money that was given to States to buy fancy computer equipment so that people could take their driver licensing exams on the computer rather than simply checking a box with a pencil on a test.

We focused in on about four areas that we believe we have some proof of effectiveness. Again, they are alcohol countermeasures, police traffic services, emergency medical services, focusing now mostly on the training part of it, and traffic records.

We essentially then level funded programs in those areas. So we don't see a reduction in the efficiency and effectiveness of this money by continuing to fund those four areas. We have quit the scatter-gun approach. We think that by aiming at these areas we can make better use of that money.

Senator ANDREWS. It sounds as though in the past the agency had more money than it knew what to do with and were out kind of gilding the lily. [Laughter.]

You couldn't say that out of respect to your predecessors though.

What thought has been given to the ability of the States to respond by October 1, 1981, to the elimination of funding for State planning and administration of section 402 safety grants?

Ms. STEED. We are concerned about that, Mr. Chairman, because, as you know, the State legislatures may not be meeting in that timeframe. So what we are going to do is take a look at those States that have that kind of a problem, where we might be compromising the use of the Federal funds by not providing planning and administration. We will look at it on a project-by-project basis. Where Federal funding might be necessary we will make allowances for that.

55-MILE-PER-HOUR COMPLIANCE

Senator ANDREWS. What was the original rational, to get back to the 55-mile-an-hour speed limit, for initiating a program to fund 55-mile-an-hour compliance and why are you now proposing to eliminate its funding?

Ms. STEED. When the 55-mile-an-hour speed limit was put into effect the States, as you know, were monitoring speed compliance at higher limits. All of a sudden with the national law imposing a lower limit, the States had an enormous increase in the number of violators. So money was specifically provided to help the States get over that kind of crunch period to make sure that they had sufficient enforcement officials and the ability to monitor the 55-mile-an-hour speed limit.

We think we are now over that and that the moneys largely have become in effect an operating subsidy which we feel is not an appropriate role for the Federal Government, and we are proposing to stop specific funding for the 55 compliance. That doesn't mean again that the State might not elect to use some of those 402 moneys to help them with the 55 compliance.

Senator ANDREWS. That doesn't mean that you are contemplating proposing repeal of the national 55-mile-an-hour speed limit?

Ms. STEED. That is right, not at this time.

REGULATORY MORATORIUM

Senator ANDREWS. At the recent convention of the National Association of Automobile Dealers, Secretary Lewis is reported to have stated his support in principle for a 4-year moratorium on new Federal regulations for the automobile agency.

Now, this committee should really know what would be the specific budgetary impact of a 4-year or even a 2-year moratorium on your agency.

Ms. STEED. I think, Mr. Chairman, that that was a misquotation. As I understand it, it was a question thrown at him by a reporter as he was stepping off the platform.

Senator ANDREWS. That is when you get the most interesting comments. [Laughter.]

Ms. STEED. I think we have to look at that very carefully.

Senator ANDREWS. I would imagine you would. [Laughter.]

Ms. STEED. Yes, because a moratorium as you know, would mean we could not issue any new rulemakings or repeal existing rulemakings. A moratorium is just a very difficult thing.

What we are doing, as I said previously, is a very careful review of regulations, not only those that are on the books, but those that are not in effect already, and those that we just have in the proposal stage. If they are not needed and we don't believe they are cost effective we are going to rescind or modify those rules.

Senator ANDREWS. Could you have somebody in your shop pick up the phone and ask somebody in the Secretary's shop to elaborate on that particular statement and include that elaboration and/or correction for the record?

Ms. STEED. Certainly. We will provide that information for the record.

[The information follows:]

MORATORIUM ON FEDERAL REGULATIONS FOR THE AUTOMOBILE INDUSTRY

At a National Association of Automobile Dealers (NADA) convention in February, Mr. Lewis' response to a question suggested that he favors a four-year moratorium on Federal regulations for the auto industry. His statement was intended to reflect the Reagan Administration's general opposition to over-regulation, rather than a proposal of any specific policy. As reported in the Washington Star of Wednesday, February 11, 1981, (Business Page), he said literally that: "If I could do it (impose a moratorium), it would be a four-year moratorium." His comment in an interview following the speech, reflects the tenor of that statement. He said then, "I know four years is unrealistic, but my point is that this administration opposes regulations."

While a four-year moratorium would certainly have served the purpose of signaling this administration's intent that regulations not be unduly burdensome, that same purpose has been served by the President's more precisely tailored program for the U.S. automobile industry. For the past three months, two Presidential task forces, the Task Force on Regulatory Relief, under Vice President Bush, and the Automobile Industry Task Force under his own guidance, have been working to achieve the President's goal of reducing the regulatory burden on the automobile industry while continuing to protect health, safety, and the environment. On April 6, the President adopted a positive program to address the immediate and long term problems faced by the automobile industry. As part of that program, the Environmental Protection Agency and the National Highway Traffic Safety Administration issued notices of intent to rescind, revise, or repropose 34 specific regulations. Their actions could save the automobile industry more than $1.3 billion in capital expenditures and consumers more than $8.0 billion over the next five years. That well-thought-out program obviates the need for a four year moratorium on regulations affecting the automobile industry.

FUEL ECONOMY OUTLOOK

Senator ANDREWS. A few years ago your shop pointed out that its fuel economy standards were the major factors which allowed American automobile manufacturers to respond to the energy crisis and now you are telling us that future standards aren't necessary to assure continued vehicle fuel efficiencies. Are you convinced that automakers are doing everything possible to improve vehicle fuel efficiency?

Ms. STEED. At this time we are. We believe that market forces right now are going to eliminate the need for any post-1985 fuel economy standards. The way it looks right now all automakers will be exceeding 30 miles per gallon, and the light truck manufacturers will be exceeding their requirements also.

As a matter of fact, we are going to withdraw the proposed rule for post-1985 fuel economy standards. We will keep a very close eye on the technological advancements in the industry and the economic effects of these rules to make sure that they are going to allow market forces to operate.

At this point we think the competition out there is what the American people want and that is what the carmakers are responding to.

FUEL ECONOMY STANDARDS EFFECT ON PICKUPS

Senator ANDREWS. Well now, you are a Kansas native and you have to have a little of the wheat farmer instinct still in you having been brought up in that area. Has anybody ever pointed out to you what some of these regulations do?

I farm, or rather my son does now, but I am still pretty much involved. You get these fuel economy standards on a pickup truck that you just mentioned, and that is wonderful except for the people that use pickup trucks to work with. On the farm you load the pickup truck and you have got these fuel economy standards to the point where I have got to make two trips in a new pickup to haul the same load that the old pickup would haul in one load.

Now, has anybody looked at that and recognized that this is one of the more wasteful uses of fuel that you could imagine? What kind of a loophole or what kind of a special dispensation are you going to set in to correct some of these tendencies?

When you take a load of wheat out of a wheat field, the truck you buy now you have got to specify two engine sizes larger than you used to have to specify 10 years ago to haul the same 200 bushels of wheat. This really isn't progress.

Ms. STEED. That is exactly why, Mr. Chairman, it would be my preference that the private sector and the market forces actually do provide these incentives for what the American people want to buy. Once the Government steps in we do run into problems exactly like that. We would much prefer to let the market forces provide the kind of fuel efficient equipment and size equipment that the buying public wants.

Senator ANDREWS. You recognize that in some places the trucks are bought to do work and not just to chase in them?

Ms. STEED. Back where I come from that is true.

Senator ANDREWS. Are you continuing then to monitor the progress of these fuel standards?

Ms. STEED. Yes, sir, we certainly are.

Senator ANDREWS. You think then the economic climate with the increased price of fuel has pretty well altered the Federal role?

Ms. STEED. That is right.

PASSIVE RESTRAINT STATUS

Senator ANDREWS. What is the status of regulating the installment of airbags into automobiles?

Ms. STEED. We are right now in the midst of a rulemaking procedure on that, Mr. Chairman. We are taking a look at the standard as it now stands to see if a 1-year delay on required passive restraints in large cars might make sense. With the changing fleet mix and the problems that the auto industry is having right now, we feel that it is appropriate to review that. We will have to act very quickly on the decision on that final rule within the next month or so.

Senator ANDREWS. Given the climate of deregulation of financial constraints on the automobile industry, how can you justify a continued effort to increase the Government's mandate on the automobile?

Ms. STEED. Well, we have to look at the question of safety, Mr. Chairman. Right now there is no economic incentive out there for the auto companies to build the safest car possible. As we saw with the fuel economy situation, the public demand and the concern over the availability and the price of gasoline certainly brought a competitive edge and an economic reason for the auto industry to make cars more fuel efficient.

We are beginning to see a growing public concern about safety with the number of small cars that are coming on the market. We get a number of calls daily on the hotline with people asking, I am planning to go out and buy a car. Can you tell me if it is a safe car. So the public is getting safety conscious and we hope that this will eventually push the automakers to make as safe a car as possible.

At this point there is no economic incentive out there, and we believe it is our responsibility in accordance with our statute to mandate safety regulations where necessary.

RELATIVE CAR SAFETY

Senator ANDREWS. Have you tried publishing reports and making them available to the news media and whoever else comparing the relative safety of the various automobiles available to the American public?

Ms. STEED. Yes, sir. We do have some information out there that compares relative safety and we are very aware that this kind of information could substitute for regulations at some point. That is something that we will be evaluating.

Senator ANDREWS. In other words, you are now making this information available. Why don't we see more of it? I don't remember reading many articles in the newspaper that says car X is safer than car Y or car A has more tendency to involve you in a fatality than car B.

Ms. STEED. We have a relatively new program of crashworthiness where we are judging cars by make and model. It is an experimental program at this point. We have put out over the past year, it is my understanding, a number of press releases that report relative safety of cars based on these experimental tests.

We also, as you know, compiled the information into a publication called the "Car Book" and issued that very recently. Comparing the relative safety is a very difficult thing to do and we want to make sure that we have accurate statistics. We are proceeding with the experimental program and we will be looking at the kinds of information that can responsibly be provided to the American public.

Senator ANDREWS. Now, I understand that the Washington Star—gee, all this laughter. When we start asking questions and we see a couple of chuckles then we know we have gotten into something that you have thought about.

The Washington Star criticized your "Car Book" and said that it would lead readers to the wrong conclusions about car maintenance costs, fuel economy, vehicle safety and airbags. What is the agency's response to the several criticisms in the Star? You know, if this information you are putting out isn't in fact accurate you are better off not putting any information out at all because it discredits any subsequent information the agency might put out. What kind of an answer do you have to this?

Ms. STEED. That is correct, Mr. Chairman. That is why a moment ago I referred to the kind of information we could responsibly put out to the American public.

Senator ANDREWS. Well, does that mean you said this was put out irresponsibly?

Ms. STEED. No, my chuckle is because the "Car Book" was the first decision I had to make in coming over to NHTSA. As you know, it was put out by the previous administration and there was a large amount of concern by the auto companies and others as to the information that was being provided.

We took a very close look at the "Car Book." In reading through it you will see that it does tell the reader that these are experimental tests. It does tell the reader that results were based on crashing one car, and it does point out that there were some cars that passed marginally and that some failed marginally. We believe that the information there is correctly characterized and that the public is not being misled by the book.

Senator ANDREWS. Are you requesting money in this budget to update the "Car Book?"

Ms. STEED. No, we are not.

Senator ANDREWS. In other words, that was a one-shot effort and it is out there.

Ms. STEED. Well, at this point we want to look, as I said, at the kind of information we are providing and at the most effective way to provide that information, but at this point we are not requesting money to update the "Car Book."

Senator ANDREWS. But you will provide for the record at this point the type of information that you are putting out giving the comparisons of the relative safety merits of the different automobiles and also what you contemplate to put out and update in the year ahead?

Ms. STEED. Certainly. We would be happy to also provide you with a copy of the "Car Book."

Senator ANDREWS. Great. Well, I would appreciate getting that, too.

[The information follows:]

Automobile Safety Information

Over the past two years, the Agency released results of the New Car Assessment Program. This experimental, 35 mph crash test program evaluates whether competing cars can exceed existing and planned Federal motor vehicle safety standards which require performance in 30 mph barrier crashes.

The results indicate that there are significant differences among cars of similar weights in how well they protect their occupants in front and rear collisions at the higher test speed.

To date, we have evaluated 52 model year 1979 and 1980 cars. We released the test results in a series of press releases and included the crash test data which are applicable to model year 1981 cars in The Car Book.

We are continuing the New Car Assessment Program in 1981. However, we have not yet decided on how to present the results and on the proper dissemination medium.

In addition to our crash tests, we also require automobile manufacturers, through consumer information regulations, to supply their dealers with information on minimum tire reserve loads and on stopping distance performance on dry pavement. Dealers, in turn, are responsible for passing this information on to prospective customers and to new car purchasers.

We are planning to issue a Notice of Proposed Rulemaking amending the consumer information requirements. The proposed rule would eliminate tire reserve load reporting requirements as they may be too complex to be used properly by most consumers. In conjunction, we are also considering rulemaking which would impose a minimum tire reserve requirement for all new passenger cars sold in this country.

SUBMITTED QUESTIONS

Senator Andrews. You have been a great witness. I have some questions for the record as does Senator Chiles and Senator Abdnor that we will place in the record to be answered for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

HIGHWAY SAFETY GRANT FUND APPROPRIATION HISTORY

Senator Andrews: How much money has the Federal Government provided State and local governments through Federal highway safety grants intended to help reduce motor vehicle accidents and deaths, since the inception of the program?

Response: The information is provided in the following table.

Appropriation (000's)

Fiscal Year	Entitlement Grants	Incentive Grants	55 MPH Enforcement	School Bus Driver Training	Innovative Grants	Total
1967	$ 2,000					2,000
1968	25,000					25,000
1969	65,000					65,000
1970	70,000					70,000
1971	75,000					75,000
1972	67,096					67,096
1973	82,061					82,061
1974	66,525	$ 298 1/				66,823
1975	72,980	13,096 2/				86,076
1976	87,723	13,216 2/				100,939
Transition Quarter	25,108					25,108
1977	114,000	15,000 2/				129,000
1978	157,000	15,000 2/				172,000
1979	172,000					172,000
1980	175,000		20,000	2,500 3/		197,500
1981	150,405		25,000	2,500 3/	1,000	178,905 4/
Total	1,406,898	56,610	45,000	5,000	1,000	1,514,508

1/ Seat Belt usage
2/ Fatality rate reduction
3/ Control authority
4/ Excludes $10,000 for Transportation Systems Management

HIGHWAY SAFETY GRANT PROGRAM EFFECTIVENESS

Senator Andrews: What specific evidence is there to support the proposition that highway safety grants have reduced highway fatalities? Provide specific details for the record.

Response: We believe there is evidence that 402 grants have been instrumental in contributing to the reduction in highway fatalities and the fatality rate that has occurred over the last 10 years.

But we must recognize that the 402 program has always faced a problem in demonstrating its value and achievements. The primary reason is that the 402 program attempts to improve State and local programs in a variety of ways, each with its own objective. However, some of the specific accomplishments of the 402 program to date are:

- It encourages the implementation of program improvements. State and local programs tend to become institutionalized, to be continued year-after-year without change. The 402 funds provide the additional resources to implement changes, or start new programs, and to test their effectiveness in increasing system efficiency. In other words, it provides the "risk capital" or "seed money" for innovative efforts that might not otherwise be attempted for fear of failure and criticism.

- It has catalyzed State efforts in dealing with high priority safety problems and influenced State and local funding for safety programs. In the past 10 years there has been substantial growth in the number of jurisdictions adopting alcohol countermeasures and implementing key alcohol standard elements. Both local police traffic manhours and the number of serious violation citations written have increased 63 percent. Emergency responses to traffic accidents and other medical emergencies have improved dramatically, with the result that the United States Emergency Medical Service System is now judged the finest in the world.

The following indicators demonstrate 402 grant program impact on crashes:

- National Trends

  Most 402 projects are too small in themselves to have a proven effect in preventing death and injury through crash reduction. However, there is persuasive evidence from national trends that highway safety has been improved during the lifetime of the 402 program. From 1963 to 1967 fatalities rose steadily, with an additional 248 fatalities occurring each month. This trend began to level in 1967, then dropped with the advent of the fuel crisis, with a slow rise occurring since 1975. Had the same fatality rate been in existence in 1979 as in 1966, the nation would have experienced 81,800 fatalities rather than the 50,800 which actually occurred. The fatality rate dropped from 5.5 fatalities per one hundred million vehicles miles in the mid 60's to the present level of 3.4, a decrease of 38 percent. While the credit must be shared with the interstate construction program, the 55 mph speed limit, and the new vehicle safety standards, the 402 program contributed heavily to this improvement in national safety trends.

- Traffic Enforcement Programs

  It is well-documented that 402 funding made possible increased levels of State speed enforcement. With the use of 402 funds, Selective Traffic Enforcement Projects (STEP) have been developed and applied widely throughout the country. In general, projects which have been evaluated to determine effectiveness in crash reduction or injury severity reduction have shown positive results. Overall, reported crash reductions in project areas have ranged from 7 percent to 33 percent. However many of the studies lack adequate control site data and cannot be considered scientific evaluations.

Ohio: The Dayton, Ohio STEP reported that the number of accidents at the six high accident locations included in the project dropped from 111 in 1978 to 74 in 1979, a 33 percent decrease.

Louisiana: The results of a rural selective enforcement project in Louisiana indicated an 11 percent decrease in total accidents for the project areas, compared to an increase of 31 percent in control, or nonproject areas.

California: A STEP operating in Sacramento, California reported that total accidents were reduced 13 percent in 1974 compared to a baseline period in 1971. There was a reduction of 994 noninjury, 347 injury and 24 fatal crashes.

Alabama: In a cost benefit analysis of radar units in Alabama, a "before/after" evaluation design was used to assess the reduction in injury accidents for 52 local agencies receiving speed detection radar units. Results from this accident reduction type of evaluation show that for the cities with radar units, the average number of injury accidents per 1,000 population dropped from 3.52 to 2.58. On the other hand, the accident rate for the State as a whole remained constant at 5.47.

South Dakota: An urban STEP in South Dakota has been operational in five communities since 1977. A recently completed indepth evaluation compared accident rates between the treatment group (STEP communities) and a control group (non-STEP communities). This was done for time periods both before and after the STEP's were implemented. The basic conclusion of the study was that the accident rates (whether considering fatal, injury, or total number of crashes) for the STEP communities did not change significantly since STEP became operational; however, the accident rates for the non-STEP communities did increase significantly during the same time frame. When considering fatal and injury crashes per 100 million vehicle miles, the rate for the treatment group was 222 for FY 1977 and 226 for FY 1978. The fatal and injury crash rate for the control group, however, increased from 228 to 256. Further, the total accident rate in the STEP cities during the first year of the program is the same as the preceeding year, while the total accident rate in the non-STEP cities increased by 18 percent.

o State Alcohol Programs

Improvements in alcohol safety as a result of 402 program projects have also been reported by the States. The 1980 Report to the House Appropriations Committee entitled "An Assessment of State and Community Highway Safety Programs, FY 1975-1979," contained the following examples of State alcohol program effectiveness:

Maryland: "Operation Yellow Jacket" was implemented in 1977 to selectively patrol high accident locations. The program emphasized better detection of speeding and drunk driving at these locations, as compared to a set of control locations. At the "Yellow Jacket" sites, both fatal and personal injury alcohol related accidents were lower than expected, while at control sites fatal accidents were higher and personal injury accidents were unchanged. The difference for personal injury accidents was found to be statistically significant.

Iowa: A 1979 comparison of alcohol related fatal crashes in ten counties having drunk driving control programs with counties not having programs showed a 26 percent reduction in the program counties. This reduction was statistically significant.

District of Columbia: A comprehensive program was started in 1975 involving a mobile breath test van, and special enforcement, prosecution and probation units. While alcohol related fatalities averaged 51 percent of all fatalities prior to the program, the 1976 to 1978 average dropped to 36 percent of all fatalities.

Vermont: A selective enforcement program directed at drunken drivers provided a coordinator for the management of a total of 31 weekend patrols of off-duty sheriffs or local State Police officers, with an average of six men per team.

Analysis of accident statistics indicated that the program was effective. While fatal crashes were up 100-112, or 12 percent in 1978, fatal crashes during high frequency late weekend hours were down from 32 to 22 for a 31 percent decrease. Alcohol related fatal crashes during the period were down from 29 to 17, a 41 percent reduction. The relationship of alcohol related fatal crashes to the total fatal crashes dropped from 91 percent to 77 percent during the high frequency-late-night weekend period.

Louisiana: During three years of operation in the City of Lafayette, alcohol related crashes decreased 10.5 percent, alcohol related injury accidents decreased 7.4 percent, and traffic fatalities decreased 6.7 percent. In the same period, statewide, the total number of all types of accidents, alcohol related and non-alcohol related increased 15.3 percent.

California: During December 1977 increased enforcement and a public information campaign at 23 project areas reduced Driving Under the Influence (DUI) accidents from an expected total of 848 to that of 707.

Kansas: In three years of activity of the Lyon County, Kansas, Alcohol Safety Action Project (ASAP) covered four areas: Apprehension, Prosecution/Adjudication, Education/Referral, and Public Awareness/Prevention. Alcohol arrests doubled the first year of the program. Alcohol related crashes were halved from the first to the third year, falling from 97 or 11.8 percent of all crashes in 1977 to 45 or 5.8 percent of all crashes in 1979. Driving While Intoxicated (DWI) recidivism was reduced from 10.5 percent in 1977 to 3.7 percent in 1979. Clients referred to an ASAP educational program by the courts were surveyed by an independent university group. Sixty-seven percent reported drinking decreased and 85 percent claimed to have stopped driving under the influence.

Alabama: An evaluation of the "DWI Counterattack" program (an educational effort used as a court referral program for individuals convicted of DWI violations) in ten counties in Alabama indicated that in 6 out of the 10 counties, the program showed a statistically significant impact on the number of alcohol related accidents.

- Alcohol

On a national basis:

- Total DUI arrests doubled between 1969 and 1974. From 1974 on, arrests have increased at the same rate as licensed drivers (approximately 12 percent per year).
- All States have implemented, implied or expressed consent laws to determine the level of Blood Alcohol Content (BAC). Refusal of the test results in a suspension or revocation of driver license for various lengths of time (the average is six months).
- The number of breath testing devices has increased among the States from a pre-1970 level of 3,000 to over 15,000 in 1980.
- The Illegal Per Se Law (BAC = .10% or more) has been enacted in 14 States; the Preliminary Breath Screening Law has been enacted in 14 States; and 17 States allow a police officer who has not witnessed a DWI offense to make a DWI arrest without first obtaining a warrant.
- The judicial emphasis in the handling of DWI cases has moved from purely punitive sanctions for drunk drivers to a health legal approach which consists of sanctions in conjunction with rehabilitation; over 40 States have given judges discretion to sentence offenders to rehabilitation programs; 17 States now have some type of training program for judges on better methods of handling DWI cases; and over 45 States have enacted a limited license law which permits the issuance of a restricted license to those individuals convicted of a DWI offense on the condition that the DWI offender will attend an alcohol rehabilitation program.
- Using modern marketing and mass communication techniques, at least 39 States now have active public communication programs to combat drunk drivers.
- Sixteen States have adopted a partial or complete statewide health/legal system for drinking drivers.

- Emergency Medical Services

The 402 program has been highly successful in assisting the States to organize their emergency medical service (EMS) programs through the establishment of personnel qualifications, training courses, and ambulance and communications systems specifications:

- The number of ambulance attendants with basic emergency medical care has increased from 13 percent in 1969 to 85 percent today.

- The number of ambulances which meet minimum design standards has increased from four percent in 1966 to 85 percent today.

- The number of EMS State Coordinators has risen from 4 in 1966 to 56 today.

  In the urban area response times have decreased from approximately 30 minutes to 5-7 minutes. In the rural areas, response time has decreased from literally hours to below 30 minutes in most cases.

A York County, Pennsylvania study investigated the effectiveness of ambulance services in reducing mortality of automobile trauma on highways in York County, Pennsylvania. The ambulance service included use of an ambulance as a means of seeking hospital care, medical care given to the patients in an ambulance, the training level of ambulance attendants, and ambulance response time between accident occurrence and arrival of the ambulance at the accident site, with patient and hospital characteristics held constant. Approximately 83 percent of the patients used an ambulance as a means of seeking hospital care. Of these, 62 percent actually received some form of prehospital medical aid. About 80 percent of the patients were served by an attendant with EMT training or higher. About 77 percent of the calls were responded to within 24 minutes from the time of accident occurrence. Two features of the ambulance services showed significant impact on mortality reduction; (1) the actual medical aid given to the patient and by the paramedic and (2) the level of training of the ambulance attendant. When radio communication was maintained with the hospital, the medical aid provided by the attendant was more effective.

- Restraint Usage Programs

Tennessee is the first State to pass a law requiring child passenger restraints for children under four years of age. An exception in the law permits these children to ride while being held in the arms of an older person. Data were collected prior to and within six-month increments after implementation of the law and the Public Information and Education (PI&E) program, by observing automobiles entering major shopping centers and by interviewing drivers of automobiles in which children under four years of age were riding. Results of the study indicate that during the baseline period, child restraint devices were used in 9.2 percent of the cars observed (6,248 cars). Immediately after the law became effective, and at approximately 6-month intervals thereafter, child restraint device usage became 15.4 percent, 13.4 percent, 16.5 percent, and 18.7 percent of the cars observed (4,000). The Tennessee child restraint law combined with the PI&E program produced significant increases in child restraint device usage at each target area by the end of the two year program.

According to accident records, only about 5 percent of 0-5 year old occupants of cars involved in North Carolina accidents were restrained prior to the program. Posters, brochures, shopping guides, and a children's story book were distributed to pediatricians in Durham and Greensboro, North Carolina who volunteered to participate in a child restraint usage program using their patients. The experimental design was a pre-post measure for pediatricians versus non-participating pediatricians. Surveys were made at pediatricians' offices, shopping centers, and day care centers. The usage rate rose from 19.3 percent of children 0-5 who were observed as car passengers in 1978 to 28.8 percent in 1979.

Texas: The "Buckle Up Box" is an instructional package taught in five 20-minute sessions, one session per day, for five days. Techniques for behavioral change used in the program include self-talk, role playing simulation, modeling, identified antecedents to a desired behavior, timely rewards, and linkage of simulated and real behavior. The evalution criterion was safety belt usage by the child on his last automobile trip as reported by the parent in a telephone survey. Both treatment and comparison (control group) schools were used. Safety belt usage was reported for 349 children with a 19.8 percent usage rate for non-treatment children and 43.2 percent for treatment children.

Motorcycle Safety

The effect of a motorcycle daylight lights-on law in North Carolina was examined by analyzing accident data for a six-year period. It was found that a significant decrease in crashes occurred for motorcycles operated with their lights on during daylight hours. It was concluded that operating motorcycles with lights on during the daytime increased the conspicuity of the vehicle and reduced multivehicle crashes involving motorcycles.

Colorado: Differences in injuries and fatalities between motorcycle riders wearing helmets and helmetless riders and the impact of the helmet law repeal were examined during a three-year period. Deaths, injury frequency, and injury severity were all significantly greater for helmetless riders. Helmet use in Colorado prior to repeal of the helmet law was approximately universal (99% of the riders wore helmets). Subsequent to repeal, use of helmets dropped to 49 percent.

Similar studies of the impact of helmet use and the helmet law on motorcycle injuries and deaths in Louisiana, North Dakota, Kansas, Texas, South Dakota, Washington State, and Oklahoma revealed that:

- Helmets are positively effective in reducing injury severity and fatalities in motorcycle accidents.
- Helmet usage is significantly reduced by as much as 50 percent by repeal of the helmet law. The reduction in helmet use is accompanied by a significant rise in motorcycle injuries and fatalities.
- Fatality rates for motorcyclists without helmets are 2-3 times greater than for those with helmets.

California: The effectiveness of two motorcycle licensing programs and a remedial training countermeasure program was examined using a sample of 40,874 subjects. Driver record analyses indicated a significant reduction of 15-21 percent in motorcycle accident frequencies during the year after application in each of the two improved licensing programs in comparison with the previous program. The remedial training program was effective in reducing the incidence of motorcycle accidents during the year after application.

South Dakota: The effectiveness of the South Dakota Motorcycle Rider Course was evaluated based on changes in levels of knowledge of motorcycle operation and safe rider techniques and skill and riding performance. It was found that the course increased both the knowledge and safe driving skill of motorcycle operators.

HIGHWAY SAFETY PROGRAM FUNDING

Senator Andrews: What percentage of the total highway safety funding is represented by the Federal highway safety grant program?

Response: It is estimated that the 402 Federal grant funds represented between two and three percent of the total funding for highway safety in FY 1981.

Support for the FY 1981 funding estimate derives from an in-depth analysis of sources of highway safety program funding performed several years ago by NHTSA using a 10-State sample. The analysis was limited to the seven program areas (motor vehicle inspection, driver education, driver licensing, adjudication, alcohol, emergency medical services and police traffic services) which represented from 81.0% to 98.7% of the total highway safety expenditures over a five year period in the sample States. The Federal 402 grant funds represented approximately 1.7% of the total expenditures in the seven program areas. Extrapolating for the remaining program areas increased the Federal 402 participation to approximately two percent of the total. Increased 402 appropriations in the past several years led us to revise the FY 1981 estimate of 402 grant funds to between two and three percent of the total funding for highway safety.

HIGHWAY SAFETY GRANT PROGRAM TERMINATION

Senator Andrews: What would be the impact of terminating the Federal Highway Safety Grant Program?

Response: If the 402 grant program is terminated it must be expected that coordinated State highways safety programs, as they exist today would decline sharply. The anticipated increase in effectiveness of impact programs most likely would not take place. It is reasonable to estimate that the fatality rate would rise.

FUEL ECONOMY STANDARDS ADMINISTRATION

Senator Andrews: An amendment to the Motor Vehicle Information and Cost Savings Act established the Secretary's responsibility for the administration of mandatory automotive fuel economy standards, which were delegated to NHTSA. What is the current rationale for this responsibility to reside with DOT instead of the Department of Energy?

Response: We do not believe that additional Federal fuel economy standards will be necessary to insure continued orderly improvement in mile per gallon fleet averages in fuel economy to be achieved under present legislation. Nevertheless we believe it is our responsibility to perform detailed analyses of the capabilities of the domestic motor vehicle industry to make the changes in their products to meet market demand and foreign competition and to determine the economic consequences of introducing further technologies for improving fuel economy. We have established in NHTSA a primary knowledge base, which is unique in the government for auto industry assessment. This knowledge base is being used to support studies required in the administration of the Energy Policy and Conservation Act, the Department of Energy Act, Civilian Applications, 1978, and the Chrysler Loan Guarantee Act. It has been the primary source of information for all DOT auto industry studies since 1977, most recently for the Secretary's Report to the President on U.S. Automobile Industry, 1980 and for DOT inputs to the report of the task force to examine the problems of the U.S. auto industry, "Actions to Help the U.S. Auto Industry".

The auto industry issues today are primarily economic: cost, competitiveness, capital availability, and time for recovery. The Secretary is taking the lead in assisting in industry recovery efforts and the Automotive Industry Research Program is already in place to assist in addressing the auto industry issues. DOE has no auto industry assessment capability. It is more cost effective to maintain this capability for auto industry assessment within NHTSA at the funding level requested than to establish it elsewhere.

AUTOMOTIVE FUEL ECONOMY AND CONSUMER INFORMATION

Senator Andrews: Page two of your budget justifications shows that under Operations and Research for Automotive Fuel Economy and Consumer Information, you are requesting $12,021,000. How can you justify this $2.3 million increase in light of fiscal restraints with which we are faced and the soaring price of gasoline which would seem to reduce the need for Federal initiatives to urge better automotive fuel economy?

Response: The amount of $12 million represents the cost of programs authorized by the Motor Vehicle Information and Cost Savings Act. It includes direct program costs and a distributive share of General Administration expenses. The reason that the amount shown for 1982 exceeds the 1981 allocation is that a greater share of General Administration expenses has been assigned to these programs in 1982. However, this does not represent a true increase since the allocations of General Administration expenses to programs financed by other authorizations have been decreased.

These adjustments were based on an analysis of actual work experience in 1980. In distributing General Administration expenses to enabling acts in the budget year, it has been our practice to use the latest available work experience, based on surveys conducted by staff in the General Administration area.

Analysis of 1981 and 1982 Budget
Requirements

	1981	1982	Change
Direct Costs			
Salaries and Supporting Expenses	$3,196	$2,828	$-368
Contract Program	6,138	6,469	+331
Subtotal	9,334	9,297	-37
General Administration	410	2,724	+2,314
Grand Total	9,744	12,021	+2,277

FUEL ECONOMY PROGRAM ASSESSMENT

Senator Andrews: The automobile industry had record losses in 1980. What impact does that have on your assessment of the fuel economy program? To what degree is this aspect considered in determining the need for future standards?

Response: As we evaluate all of our regulations, including the fuel economy program, we will be assessing the financial condition of the U.S. auto industry. We will be looking at the costs and benefits of any new fuel economy proposal, as well as looking at the ability of the domestic auto industry to make the capital investments necessary to comply with any new regulation or policy. This is in line with the requirement that these standards be both economically practicable and technologically feasible.

The need for future fuel economy standards will depend on whether marketplace demands continue to require even more fuel efficient vehicles. If the marketplace continues to encourage the production of fuel-efficient vehicles, we do not believe that any purpose would be served by adding additional regulations in this area.

Although we do not believe at this time, that additional fuel economy regulations will be needed, NHTSA must keep its ability to monitor the fuel economy performance of vehicles. This will allow us to make informed decisions about the appropriate Federal role in this area and whether new fuel economy rules are needed. Also, this kind of monitoring will allow us to determine the fuel economy effects of any other new regulations we might propose.

FUEL ECONOMY STANDARDS BEYOND 1985

Senator Andrews: What is your current view concerning additional fuel economy standards beyond 1985? If standards are needed, when must you begin your rule-making actions? What additional data do you need before this rule-making can begin.

Response: It appears likely that the market place demand for fuel efficient vehicles will continue to grow. It is not clear that standards will be needed beyond 1985 if that is the case.

If standards are decided upon, the planning cycle of the industry is such that at least three years advance notice is needed for the Federal government to significantly influence the new designs of the manufacturers. For example, the fuel economy standards for MY 1981 through MY 1984 were promulgated in the summer of 1977. If the demand for fuel efficient cars should decrease, fuel economy standards are one option to be considered, but there are other policy options as well.

The data necessary to determine fuel economy capability includes the current and projected market place demands, and the manufacturers plans for product and for production facilities. It is our intent to continue to closely monitor these areas. In particular, we are assessing the potential capability of the manufacturers to significantly increase the fuel economy of their products in the period after model year 1985.

ENERGY CONSERVATION INITIATIVE

Senator Andrews: With regard to the $4.6 million energy conservation initiative included in the Carter budget, does not the soaring cost of gasoline impose its own incentive for voluntary conservation?

Response: No, in our experience the high cost of fuel does not necessarily curb fuel usage. Our energy conservation program was originally designed to promote voluntary conservation practices.

FEDERAL GOVERNMENT ROLE IN TRAFFIC ENFORCEMENT

Senator Andrews: Traffic enforcement whether or not it's relative to energy conservation, has traditionally been a local function. Why should the Federal Government subsidize local traffic enforcement when, presumably, States and localities have an interest equal to that of the Federal Government in solving the energy crisis and saving the lives of their citizens?

Response: We agree that traffic enforcement has been and should continue to be the primary responsibility of State and local government. There is little question that police activity is the cornerstone of almost every highway safety program. There is very strong evidence that crashes and injuries can be directly impacted through selective and aggressive police enforcement. Crash and injury causal data for problem identification and program evaluation is derived from the reports developed by trained police officers investigating crashes. The severity of injuries and post crash hazards can be reduced by well trained police officers, usually the first at the scene, rendering and/or calling for extrication and emergency medical services for crash victims and identifying and controlling hazardous materials. The police traffic services program also provides critical support to other highway safety programs. The issuance of citations by the police is essential in identifying problem drivers. The police enforce revocation/suspension and other licensing sanctions by the courts and driver licensing authorities. In addition, police officers enforce the laws relating to vehicle registration, equipment, and inspection; detect and report hazardous road, environment, vehicle and driver conditions to the proper authority; and conduct traffic safety information and education programs.

The limited Federal highway safety funding assistance we will make available to assist State and local traffic enforcement programs still represents only a very small fraction of the traditional enforcement agency budget. However, this small funding assistance is critical in that it permits and encourages enforcement agencies to develop, test and implement more cost effective and better coordinated highway safety program improvements and/or expansions which would not otherwise be affordable within the regular budget. We believe that if the entire cost of such experimentation remained the sole and total responsibility of State and local government, continued improvement in many traffic enforcement programs would promptly cease.

In our opinion, some Federal funding assistance for police traffic services will remain absolutely essential if we are to be successful in our efforts to encourage and support assignment of higher priorities and more effective resources to State traffic safety programs throughout the United States.

FUEL ECONOMY AND ENERGY CONSERVATION

Senator Andrews: What is your rationale for eliminating your driver and vehicle fuel efficiency program?

Response: The program was eliminated because it was a lower priority research effort that wasn't as important as other R&D and Consumer information programs; and because it was felt that a large number of major American Corporations were supplying employees with information on fuel efficient driving techniques.

MECHANICAL DEFECTS

Senator Andrews: What is your estimate of the percent of traffic accidents caused primarily by mechanical defects? What is your estimate of the percentage of fatal traffic accidents caused as a result of mechanical defects?

Response: Accident investigation studies have shown that vehicular defects may cause or contribute to the causation of between 5 and 12 percent of all vehicle accidents. This means as many as 2 million reported and unreported accidents a year may be attributed to vehicle defects. With respect to police reported accidents in 1979, approximately 6 tenths of one percent were reported to be fatal accidents.

Senator Andrews: What is the mathematical probability of a mechanical failure occurring the day after an annual automobile inspection? For example, if a traffic accident is caused primarily by headlight failure or a failure of the horn to operate, is not that failure just as statistically likely to occur the day after an automobile inspection as the day before?

Response: Certain imminent mechanical failures cannot be detected by inspection (i.e. headlight failure or horn failing to operate). However, these type of components are often not functioning when the vehicle is presented for inspection and consequently are repaired.

The primary purpose of motor vehicle inspection is to detect vehicle components which have worn or deteriorated to a point of presenting a vehicle safety hazard. Such components are brakes and tires, whose mechanical condition can be readily detected during a proper safety inspection. Accident investigation studies have shown that defective brakes and tires represent approximately two-thirds of vehiclular defect caused accidents.

MOTOR VEHICLE INSPECTION PROGRAMS

Senator Andrews: After statistically controlling for random failures, what is the percentage of these fatal traffic accidents primarily attributable to mechanical defects and failures which could reasonably be expected to be avoidable through periodic motor vehicle inspection?

Response: Periodic motor vehicle inspection programs, when initiated by several States, have shown after several inspection cycles, a reduction of approximately 50 percent of vehicle defects detected. The statistical logic of periodic motor vehicle inspection is that since defects cause or contribute to accidents (5 to 12 percent), the elimination of these defects will reduce the number and/or severity of defect related accidents in a like proportion to the percentage of defects which are detected and repaired.

A recent demonstration inspection program in Huntsville, Alabama, indicated that inspected vehicles had experienced a 9.1 percent lower overall accident rate than similar uninspected vehicles.

Senator Andrews: What was the total Federal and State expense incurred last year for mandatory automobile inspection and what proportion of total Federal and State highway safety funding does this represent? What was the expense to automobile owners last year of mandatory automobile inspection?

Response: The total Federal expense incurred with respect to mandatory motor vehicle inspection in FY 1980 was approximately $782,000. This is approximately four tenths of one percent of the total Federal highway safety grant funding apportioned to the States in FY 1980. States do not report detailed expenditures of their own highway safety funds to NHTSA.

The fee charged for motor vehicle inspection varies between $2.00 and $6.00 in most States. Several States allow the inspection station to set the inspection fee. In most States a small portion of the fee collected by the station is returned to the State to cover the cost of administering the State inspection program.

Regardless of whether a State has a mandatory inspection program, a motor vehicle must be inspected periodically and repaired when necessary to insure it is in safe operating condition. In the absence of a mandatory State inspection system, inspections are made without recourse to State and Federal standards and regulations. Charges are still incurred by the citizens for these necessary inspections and repairs.

TIRE GRADING STANDARDS

Senator Andrews: Critics of your grading system for automobile tires have alleged that the system is misleading to consumers and is a gross oversimplification. Apparently, many tire manufacturers undergrade their products in order to avoid the penalties which can result from fluctuations in tire grading tests. What is the annual cost of this system to manufacturers? What evidence can you offer as to whether or not it is truly helpful and understandable to the consumer? What consideration is being given to reviewing the grading system in the near future?

Response: We believe that the Uniform Tire Quality Grading System will benefit the consumers who are interested in obtaining good performing tires for their money.

Tire manufacturers are responsible for testing and grading their products. We designed the system to penalize overgrading but not undergrading. We feel that marketplace actions will ultimately encourage producers to grade as accurately as possible. We are, however, currently monitoring the extent to which undergrading persists and have proposed a rule which would standardize the grade selection process. If significant undergrading continues, then we would consider invoking a final rule on mandatory grading.

Testing and grading costs to manuacturers are curently 10 cents per tire. As 160 million tires are sold in the U.S. each year, total costs are $16 million. We also expect these costs to drop dramatically over the next several years as fewer bias and bias belted tire lines are produced.

We will shortly begin a household survey of tire buyers as part of our evaluation of the system. This survey will identify what attributes consumers consider at the time of tire purchase, and whether or not current tire quality grade information fits their needs. Recent evidence, supplied by one major tire manufacturer, indicates that the public is beginning to use tire grade information in increasing numbers as they become aware of the system.

EMERGENCY MEDICAL SERVICES

Senator Andrews: To what extent will NHTSA be funding emergency medical vehicles and emergency vehicle attendants' training in FY 82?

Response: Federal highway safety funding assistance will not be authorized by NHTSA for the purchase or operation of ambulances and or rescue vehicles. However, funding assistance will be authorized for the training of emergency medical services (EMS) personnel. The training applies to First Responders, Emergency Medical Technicians-Ambulance (EMT-A), EMT-AA (Advanced) and EMT-P (Paramedics), and dispatchers. It also provides for extrication training, emergency vehicle driver training and specialized training such as CB monitors to support National Emergency Aid Radio (NEAR) program, radioactive and hazardous materials concerns, exposure, etc.

Senator Andrews: What overlapping funding exists for these programs through Federal Emergency Management Agency (FEMA), the Department of Agriculture, and the Department of Interior?

Response: No overlapping funding or responsibility exists for emergency medical services through the above agencies. FEMA has no grant funds. The Farmers Home Administration, United States Department of Agriculture, has had loan funds for small rural communities and the Forestry Service of the United States Department of Agriculture has had direct grant funds for small communities adjacent to national forests. These funds have complimented State efforts to develop their systems. A joint memorandum of coordination of these potential resources in the EMS field is provided here for the record. The Department of Labor has applied some of its funding for training its personnel working within the park lands. They have employed NHTSA criteria and carried out coordination both on the Washington staff level and with States where there were adjoining jurisdictional interest and where mutual support was appropriate.

SUBJECT: DOT/DOA Coordination in Developing an Effective Rural Emergency Medical Service Program **DATE:** Sept 12, 1977

FROM : Administrator, National Highway Traffic Safety Administration
Administrator, Farmers Home Administration
Chief, Forest Service

TO : Distribution

Purpose: The purpose of this memorandum is to provide information about Federal programs that are applicable to developing Emergency Medical Services (EMS) programs and to provide points of contact for assistance in developing EMS program components and systems.

Background: The Department of Transportation (through the National Highway Traffic Safety Administration, NHTSA) and the Department of Agriculture (through the Farmers Home Administration, FmHA, and the Forest Service) have programs of assistance in support of the development and implementation of life saving programs in rural areas. These are the Highway Safety Program (NHTSA), the Community Facilities Loan Program (FmHA) and Rural Community Fire Protection Program (Forest Service). These programs afford technical assistance, loans, grants and equipment for planning and implementing of components of rural EMS systems. The interrelationship and a brief outline of these programs is included as attachment 1.

Policy: It is the policy to get people at all levels to cooperate in developing rural EMS components and systems and to inform them about the variety of available Federal funds. To enhance this cooperation, we are providing a list (attachment 2) of key EMS personnel who can help rural system development. All personnel are encouraged to establish working relationships among organizations involved so that there is a clear understanding of how the programs are structured and interact in complementary and supplementary ways. DHEW Regional EMS Consultants are included.

Joan Claybrook

Joan Claybrook Gordon Cavanaugh for John R. McGuire

Attachment 1

DOT/DOA EMS Interface

The Highway Safety Act of 1966 requires that the States implement and develop an effective highway safety program, in accordance with uniform standards which are promulgated by the Department of Transportation (DOT). One such standard, Standard 11, entitled "Emergency Medical Services", administered by the National Highway Traffic Safety Administration (NHTSA) within DOT, is concerned with ambulance service and the post emergency response. Its objective is to reduce mortality and disability by bringing the injured and definitive medical care together in the shortest possible time. The DOT has developed ambulance standards, training programs, communication guidelines and certain suggested practices under this program, which target all prehospital medical emergencies.

In view of the above, additional mandatory guidelines were published in Volume 11, "Emergency Medical Services", of the Highway Safety Program Manual of April 1974. This manual also makes reference to other EMS program criteria which are mandatory and for general guidance. These were developed and published for amplification and clarification. This was also done to ensure that the best known resources knowledge, techniques, and equipment were being brought to bear on the victim of an emergency.

In pursuing the development and implementation of this life saving program, the DOT has viewed the rural requirements as being of equal stature with the urban. It has been policy of the DOT that the quality of service rendered to the victim of an emergency must not be a variable, subject to negotaition from community to community. The guidelines that have been published are considered minimal and appropriate for all who render emergency care. It does not seem practical to make exceptions and deprive some of life-saving and life-sustaining care merely because they happen to live in a small community. Highway death rates in rural areas have exceeded those of the urban areas by 70 percent. Trauma centers and emergency departments are of no value to the victim who has expired due to lack of proper care at the onset of the emergency or in transit to the facility. Quality of service rather than speed in transit is being emphasized.

Programs that support the upgrading of EMS in rural areas include community facility loans from the Farmers Home Administration (FmHA) and grants for equipment and training from the Forest Service (FS) of the U.S. Department of Agriculture (USDA). The FmHA welcomes the opportunity to extend its rural loan authority to include EMS projects. This is another resource which the States should now include in Standard 11 planning and implementation. Community facility loans from FmHA are available in rural areas for upgrading EMS by purchase and development of essential buildings and equipment. Funds may also be used as the local share of cost for matching grant funds.

Loans secured under this program for EMS should be coordinated with the State Comprehensive EMS plan, should further the implementing schedule of that plan and should support the NHTSA published criteria for Standard 11 implementation.

The second program area is the Rural Community Fire Protection Program administered by the Forest Service. The goal of this program is to provide fire protection in unprotected or inadequately protected rural areas. It is intended to help revitalize the quality of life in rural America be preventing or reducing loss of life, protecting financial investments, and improving environmental conditions. Eligible applicants are official units of government, private and/or public nonprofit organizations, and other rural residents in communities under 10,000 population. Groups of smaller communities, however, may join together in a combined effort to serve more than 10,000 people. Priority is given to unprotected or inadequately protected rural communities. This determination will be based on the current Insurance Services Office rating of the community. State Foresters will select communities to participate in the program on the basis of vulnerability to fire, adequacy of existing protection and other factors. Participating communities can receive 50 precent of actual costs of approved projects.

This fire service program may be identified as supportive of both Standard 11 "Emergency Medical Services" and Standard 16 "Debris Hazard Control and Cleanup" under the Highway Safety Act of 1966.

Specifically, this would extend to providing extrication of persons entrapped in wreckage, emergency care as first responders, assistance with hazard control as identified in Standard 16, and emergency service communications.

Eligible candidates making application under either program should be encouraged by the responsible State officials to follow National Highway Traffic Safety Administration (NHTSA) Standards (11 and 16) when and where appropriate. The NHTSA Crash Injury Management Training Course is the appropriate level of training for any first responder to a traffic accident other than the personnel of ambulance services. The NHTSA Crash Victim Extrication Training Course provides the essential training and identifies the necessary equipment to meet 85% of the extrication needs. A survey of the rural rescue/extrication capability should also be encouraged. Any deficiencies related to prompt and efficient access to, and extrication of, trapped victims in vehicle crashes should be corrected. Projects under these programs can assist in this highway safety effort through training and purchase of communications/extrication equipment, in addition to providing purely fire protective services.

NOTE:

These programs are applicable to communities within DHEW funded projects under the Emergency Medical Services System Act of 1973 (amended 1976).

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region I James F. Williamson Regional Administrator (NHTSA) Transportation System Center 55 Broadway Cambridge, Mass. 02142 Com. (617) 494-2680 FTS 837-2680 John B. Stepp Regional Consultant for EMS John F. Kennedy Federal Bldg. Boston, Massachuset 02203	Connecticut	Mr. Norman C. Booth Governor's Representative Department of Transportation Office of Highway Safety 24 Wolcott Hill Road Wethersfield, Connecticut 06109 Phone: 203/566-4248	Leslie Yodeman, M.D. J.D. Director Office of Emergency Medical Services 79 Elm Street Hartford, Connecticut 06115 Phone: 203/566-7126	Same as Vermont	Robert L. Garrepy, State Forester Department of Environmental Protection Forestry Unit 165 Capitol Avenue Hartford, Connecticut 06115 Phone: 203/566-5348	Northeast
	Maine	Roger L. Mallar Governor's Highway Safety Representative Planning and Traffic Engineer State of Maine Highway Department Augusta, Maine 04330 Phone: 207/289-3131	N. Alan Hume, M.D., Director Emergency Medical Services Program Bureau of Health Department of Human Services State House Augusta, Maine 04333 Phone: 207/622-4676	State Director FmHA USDA Office Building Orono , Maine 04473 Com. 207/866-4929	John S. Walker, Director Bureau of Forestry State Office Building Augusta, Maine 04333 Phone: 207/289-2791	Northeast
	Massachusetts	Mr. Francis X. Colleton, Director Governor's Highway Safety Bureau 146 Bowdoin Street Boston, Massachusetts 02108 Phone: 617/727-5074	Ms. Linda Leddy, Director Office of Emergency Medical Services Massachusetts Dept. of Public Health 600 Washington Street, Room 406 Boston, Massachusetts 02111 Phone: 617/542-8784	Same as Vermont	Albert H. Zabriskie Acting Director Division of Forests and Parks 100 Cambridge Street Boston, Massachusetts 02202 Phone: 617/727-3180	Northeast
	New Hampshire	Thomas A. Power Coordinator Highway Safety Agency Stickney Avenue Concord, New Hampshire 03301 Phone: 603/271-2131	Thomas Christian Cooper Acting Director Emergency Health Services New Hampshire Division of Public Health 61 South Spring Street Concord, New Hampshire 03301 Phone: 603/271-3187	Same as Vermont	Theodore Natti, Director Division of Forests and Lands Box 856, State House Annex Concord, New Hampshire 03301 Phone: 603/271-2214	Northeast
	Rhode Island	Mr. Edward J. Walsh Governor's Highway Safety Rep. Governor's Office on Highway Safety 345 Harris Avenue Providence, Rhode Island 02909 Phone: 401/277-3024	Harold Pace, Director Emergency Medical Services Division State Department of Health 75 Davis Street Providence, Rhode Island 02903 Phone: 401-227-2401	Same as Vermont	Henry J. Deion, Jr., Chief Division of Forest Environment Box 545 RFD #2 North Scituate, Rhode Island 02857 Phone: 401/647-3367	Northeast
	Vermont	William H. Conway Commissioner of Motor Vehicles Department of Motor Vehicles State Office Building Montpelier, Vermont 05602 Phone: 802/828-2121 Ext. 52	C. Earl Gettinger, Jr., Director Emergency Medical Services Vermont State Department of Health 115 Colchester Avenue Burlington, Vermont 05401 Phone: 802/862-5701	State Director, FmHA 141 Main Street P. O. Box 588 Montpelier, Vermont Comm 802/223-2371 FTS 832-4454	E. Bradford Walker Director of Forests Department of Forests & Parks State Office Building Montpelier, Vermont 05602 Phone: 802/828-3375	Northeast

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DOT/DOA/DHEW Resource Coordination -- Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region II Dean Van Gorden Regional Administrator, (NHTSA) Room 400 200 Mamaroneck Avenue White Plains, New York 10601 Comm (914) 761-4250 Ext. 311 312 313 314 FTS 883-7311 Carlos C. Santiago Regional Consultant [illegible] Federal Building 26 Federal Plaza New York, New York [illegible] (212) 264-4698	New Jersey	Mr. John Waddington, Director Division of Motor Vehicles State of New Jersey 25 South Montegomery Street Trenton, New Jersey 08666 Phone: 609/292-4570	Mr. William J. Harris, M.P.H. Director Emergency Medical Serivces State Department of Health P. O. Box 1540 Trenton, New Jersey 08625 Phone: 609/292-5650	Same as Delaware	Gordon T. Bamford, State Forester Bureau of Forestry P. O. Box 2808 Trenton, New Jersey 08625 Phone: 609/292-2520	Northeast
	New York	Mr. James P. Melton Commissioner New York Dept. of Motor Vehicles Swan Street Building-Empire State Plaza Albany, New York 12228 Phone: 518/474-0841	Robert J. Nuszar, M.D., Director Bureau of Emergency Health Services State Department of Health Tower Building - 7th Floor Empire State Plaza Albany, New York 12237 Phone: 518/474-3171	State Director, FmHA Room 871 U.S. Courthouse & Federal Building 100 South Clinton Street Syracuse, New York 13202 Comm 315/473-3458 FTS 951/3458	James O. Preston, Director Division of Lands and Forests 50 Wolf Road Albany, New York 12233 Phone: 518/457-7430	Northeast
	Puerto Rico	Elmer Olivieri Gov's Representative for Hwy. Safety .Secretary of Transp. and .Public Works Box 8218 Santurce, Puerto Rico 00910	Mr. Jose Camacho, Ex. Dir. Department of Health Ponce de Leon Avenue San Juan, Puerto Rico 00908 Phone: 809/722-2050	Director, FmHA Federal Building Carlos Chardon Street Hato Rey San Juan, Puerto Rico 00918 Comm 809/753-4340 FTS Opr. 967-1221	Reynal's Morales Chief Forest Service Department of Natural Resources P. O. Box 5887, Puerta de Tierra San Juan, Puerto Rico 00906 Phone: 809/722-0477 or 724-8774 Ext. 273,274, 270	
	Virgin Islands	Mr. Raymond A. Moorhead Governor's Representative Virgin Island Office of Highway Safety P. O. Box 1847 Fredricksted, St. Croix Virgin Islands 00840 Phone: 809/772-3025 & 2946	Kirk Grybowski EMS Coordinator Department of Health P. O. Box 1442 St. Thomas, Virgin Islands 00801 Phone: 809/774-5980	Same as New York	Eric L. Bough, Director V.I. Forestry Program P. O. Box U Kingshill, St. Croix U. S. Virgin Islands 00850 Phone: 809/722-0990	Southeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region III Vincent D. Walsh, Sr. Regional Administrator (NHTSA) Airport Plaza Building 6701 Elkridge Landing Rd. Linthicum, Maryland 210[illegible] Louis J. Donofrio Regional Consultant for EMS P. O. Box 13716 Philadelphia, Pennsylvania 19101 (215) 596-6708-9-10	Delaware	Mr. Walter E. Hodwick Governor's Representative/ Coordinator for Highway Safety Treadway Towers 9 East Loockerman Street Dover, Delaware 19901 Phone: 302/674-1738 or 678-4282	Mr. Charles E. Kebb, Director Emergency Health Services State Department of Health and Social Services Jesse S. Cooper Memorial Building Capitol Square Dover, Delaware 19901 Phone: 302/678-4710	State Director, FmHA Robscott Building 151 East Chestnut Hill Rd. Suite 2 Newark, Delaware 19713 Comm 302/731-8310	Walter F. Gabel, State Forester Delaware Dept. of Agriculture Forestry Section Drawer D. Dover, Delaware 19901 Phone: 302/678-4820	Northeast
	District of Columbia	Mr. Douglas N. Schneider, Jr. Director D. C. Department of Transportation Presidential Building 415 12th St., N.W. Washington, D. C. 20004 Phone: 202/629-4412	Mr. Emmit Banks, Chief Emergency Medical Services Branch D. C. Dept. of Human Resources 614 "H" Street, N.W., Room 715 Washington, D. C. 20001 Phone: 202/737-7364	Same as Delaware	NONE	NONE
	Maryland	James J. O'Donnel Secretary Department of Transportation P. O. Box 8755 Baltimore-Washington International Airport Baltimore, Maryland 21240 Phone: 301/768-9520	R. Adams Cowley, M.D. Director Emergency Medical Services State Department of Health and Mental Hygiene 22 South Greene Street Baltimore, Maryland 21201 Phone: 301/528-6846	Same as Delaware	Adna R. Bond, Director Forest Service Tawes State Office Building Annapolis, Maryland 21401 Phone: 301/269-3776	Northeast
	Pennsylvania	James B. Wilson P.E., Secretary of Transportation Commonwealth of Pennsylvania 1200 Transportation and Safety Building Harrisburg, Pennsylvania 17120 Phone: 717/787-5574	William C. Dethlefs, Director Emergency Health Services Division State Department of Health P. O. Box 90 Room 102, Health & Welfare Bldg. Harrisburg, Pennsylvania 17120 Phone: 717/787-8740 or 8741	State Director, FmHA Federal Building, Rm.728 228 Walnut Street P. O. Box 905 Harrisburg, Penn. 17108 Comm 717/782-4476 FTS 590-4476	Samuel S. Cobb, Director Bureau of Forestry 109 Evangelical Press Building Third & Reily Streets Harrisburg, Pennsylvania 17120 Phone: 717/787-2703	Northeast
	Virginia	John T. Hanna, Director Highway Safety Division 300 Turner Road Richmond, Virginia 23225 Phone: 804/276-9600, Ext. 20	Susan McHenry, Director Bureau EMS State Dept of Health 109 Governor Street Richmond Virginia 23219 Phone: 804/786-5188	State Director, FmHA Room 8213, Federal Bldg. 400 N. Eighth Street Richmond, Virginia 23240 P. O. Box 10106 Richmond, Virginia 23240 Comm 804/782-2451 FTS 925-2451	Wallace F. Custard, State Forester Virginia Division of Forestry P. O. Box 3758 Charlottesville, Virginia 22903 Phone: 804-977-6555	Southeast
	West Virginia	Micheal R. Wenger Governor's Representative of Hwy. Safety Division of Community Develop. State Capitol Charleston, West Virginia 25305 Phone: 304/348-3562	Frederick Cooley, M.D. Director Emergency Health Services State Department of Health 1800 Washington Street East Charleston, West Virginia 25305 Phone: 304/348-3599	Room 320, Federal Bldg. 75 High Street Morgantown, West Virginia 26505 P. O. Box 678 Morgantown, West Virginia 26505 Comm 304/599-7791 FTS 923-7791	A. W. Kelly, Acting State Forester Department of Natural Resources 1800 Washington Street, E. Charleston, West Virginia 25305 Phone: 304/348-2788 or 2789	Northeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region IV Stanley H. Keesling Regional Administrator, (NHTSA) Suite 501 1720 Peachtree Road, N.W. Atlanta, Georgia 30309 Comm (404) 881-4537 FTS 257-4537	Alabama	Mr. Jesse J. Lewis Governor's Coordinator Office of Highway and Traffic Safety 2600 E. South Boulevard Montegomery, Alabama 36111 Phone: 205/832-5974	Mr. Lee Warren, Director Division of Emergency Medical Services Bureau of Health Facilities Construction State Department of Public Health 746 Adams Avenue Montogomery, Alabama 36104 Phone: 205/832-3935	State Director, FmHA Room 717 Aronov Building 474 South Court Street Montgomery, Ala. 36104 P. O. Box 1163 Gainesville, Florida 32602 Comm 205/832-7077 FTS 534-7077	C. W. Moody, State Forester Alabama Forestry Commission 513 Madison Avenue Montgomery, Alabama 36104 Phone: 205/832-6587	Southeast
Walter C. Hughes Regional Consultant fr- EMS 50 7th Street N.E. Atlanta, Georgia 30323 (404) 526-3877-8-9	Florida	Mr. Wallace W. Henderson Assistant Secretary Department of Administration Room 530 Carlton Bldg. Tallahassee, Florida 32304 Phone: 904/488-7911	David O. Westmark, M.D. Director Emergency Medical Services Dept. of Health & Rehabilitative Services Health Program Office 1323 Winewood Blvd. Tallahassee, Florida 32301 Phone: 904/487-2945	State Director, FmHA Room 214, Federal Bldg. 401 S.E. 1st Avenue Gainesville, Florida 32602 P. O. Box 1088 Gainesville, Florida 32602 Comm 904/376-3210, 3218, 3219, 4887 FTS 946-7221, 7222, 7229	John M. Bethea, Director Division of Forestry Collins Building Tallahassee, Florida 32304 Phone: 904/488-4274	Southeast
	Georgia	Mr. Carlton Fisher, Director Office of Highway Safety 7 Hunter Street, S.W. Atlanta. Geprgoa 30334 Phone: 404/656-3218	Charles Mosher, M.D. Emergency Health Unit State Dept. of Human Resources 618 Ponce de Leon Avenue Atlanta, Gerogia 30308 Phone: 404/894-5170	State Director, FmHA 355 E. Hancock Street Athens, Georgia 30601 Comm 404/546-2162, 2163 FTS 250-2162, 2163	Arthur Ray Shirley, Director Georgia Forestry Commission P. O. Box 819 Macon, Georgia 31202 Phone: 912/744-3237	Southeast
	Kentucky	Calvin Crayson , Secertary Department of Transportation State Office Building - 10th Flr. Frankfort, Kentucky 40601 Phone: 502/564-4890	Roland H. Dallaire, EMS Center for Comprehensive Health System Development Bureau for Health Services Department for Human Resources 275 East Main Street Frankfort, Kentucky 40601 Phone: 502/654-7996	State Director, FmHA 333 Waller Avenue Lexington, Kentucky 40504 Comm 606/ 233-2622 Ext. 2733 FTS 355-2733	Elmore C. Grim, State Forester Kentucky Division of Forestry 618 Teton Drive Frankfort, Kentucky 40601 Phone: 502/564-4496	Southeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region IV (Cont)	Mississippi	Joe E. Ware Director, Governor's Highway Safety Program 510 George Street, Suite 404 Jackson, Mississippi 39201 Phone: 601/354-6892	Wade N. Spruill, Jr. Emergency Medical Services State Board of Health 2616 Southerland, Drive P. O. Box 1700 Jackson, Mississippi 39205 Phone: 601/982-6050	State Director, FmHA Room 830 Milner Building Jackson, Mississippi 39201 Comm 601/969-4316 FTS 490/4316	Billy T. Gaddis, State Forester Mississippi Forestry Commission 908 Robert E. Lee Building Jackson, Mississippi 39201 Phone: 601/354-7124	Southeast
	North Carolina	Thomas W. Bradshaw, Jr. Secretary, Department of Transportation Pinewood Building 1001 Navaho Drive Raleigh, North Carolina 27609 Phone: 919/829-3083	Mr. Charles A Speed, Chief Office of Emergency Medical Services Division of Facility Services Department of Human Resources Box 12200 Raleigh, North Carolina 27605 Phone: 919/829-2285	State Director, FmHA Room 514 310 New Bern Avenue Raleigh, N. C. 27601 Comm 919/755-4640 FTS 672-4640	Ralph C. Winkworth, Director Division of Forest Resources P. O. Box 27687 Raleigh, North Carolina 27611 Phone: 919/829-4161	Southeast
	South Carolina	Wayne L. Wells Governor's Representative South Carolina Highway Safety Program Edgar A Brown State Office Bldg. 1205 Pendleton St., Room 412 Columbia, South Carolina 29201 Phone: 803/758-2237	Albert M. Futrell, Director Division of Emergency Health and Environmental Control 2600 Bull Street Columbia, South Carolina 29201 Phone: 803/758-8616	State Director, FmHA 240 Stoneridge Road Columbia, S. C. 29221 P. O. Box 21607 Columbia, S. C. 29221 Comm 803/765-5876 FTS 677-5876	John R. Tiller, State Forester South Carolina Commission of Forestry P. O. Box 21707 Columbia, South Carolina 29221 Phone: 803/758-2261	Southeast
	Tennessee	Larry M. Ellis, Coordinator Highway Safety Planning Division Office of Urban & Federal Affairs Suite 950 Capitol Hill Building 301 Seventh Avenue, North Nashville, Tennessee 37219 Phone: 615/741-2580	Joseph Acker, Director Emergency Medical Services Division State Department of Public Health Chest Disease Hospital Ben Allen Road Nashville, Tennessee 37219 Phone: 615/741-7361	State Director, FmHA 538 U. S. Court House Building 801 Broadway Nashville, Tenn. 37203 Comm 615/749-7341 FTS 852-7341	Max J. Young, State Forester Division of Forestry 2611 West End Avenue-Room 302 Nashville, Tennessee 37203 Phone: 615/741-3326	Southeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representative for Highway Safety	State Agency Delegate Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region V Gordon G. Lindquist Regional Administrator (NHTSA) Suite 214 Executive Plaza 1010 Dixie Highway Chicago, Heights Illinois 60411 Comm (404) 756-1950 FTS 333-5211 Fred M. West Regional Consultant for EMS 300 So. Wacker Drive Chicago, Illinois 60606 (312) 353-5255	Illinois	Mr. Karsten J. Vieg, Director Division of Transportation Safety 319 Administration Building 2300 South Dirksen Parkway Springfield, Illinois 62764 Phone: 217/782-4972	Mohammed Akhter, M.D., Chief Office of Health Services and Local Health Administration State Department of Public Health 535 West Jefferson Street Springfield, Illinois 62761 Phone: 217/782-6587	State Director, FmHA 2106 W. Springfield Ave. Champaign, Illinois 61820 Comm 217/356-1891 FTS 958- 9155 9149	Allen E. Michelson Acting State Forester Division of Forestry 605 State Office Building Springfield, Illinois 62706 Phone: 217/782-2361	Northeast
	Indiana	Mr. James T. Smith Governor's Rep. for Highway Safety State Capitol - Room 210 Indianapolis, Indiana 46204 Phone: 317/633-5237	Mr. Philip E. Martin Executive Director Emergency Medical Services Commission State Office Building, Room 315 100 North Senate Avenue Indianapolis, Indiana 46204 Phone: 317/633-4055	State Director, FmHA Suite 1700 5610 Crawfordsville Road Indianapolis, Indiana 46224 Comm 317/269-6415 FTS 331-6415	John F. Datena, State Forester Division of Forestry 613 State Office Building Indianapolis, Indiana 46204 Phone: 317/633-6517	Northeast
	Michigan	Mr. Thomas O. Reel Executive Director Office of Highway Safety Planning 1048 Pierpont Street Lansing, Michigan 48910 Phone: 517/373-2930	Wayne McKenna, Acting Chief Div. of Emergency Medical Services Bureau of Health Care Admin. State Department of Public Health 3500 North Logan Lansing, Michigan 48914 Phone: 517/373-1406	State Director, FmHA Room 209 1405 South Harrison Road East Lansing, Michigan 48823 Comm 517/372-1910 Ext. 272 FTS 374-4272	Henry H. Webster, Chief Forestry Division Michigan Department of Natural Resources Stevens T. Mason Building Lansing, Michigan 48926 Phone: 517/373-1275	Northeast
	Minnesota	Edward G. Novak Commissioner Department of Public Safety State Highway Building St. Paul, Minnesota 55155 Phone: 612/ 296-6642	James M. Stoffels, Chief Section of Emergency Health Services State Department of Public Health 717 Delaware Street, S.E. Minneapolis, Minnesota 55440 Phone: 612/296-5282	State Director, FmHA 252 Federal Office Bldg. & U. S. Courthouse St. Paul, Minnesota 55101 Comm 612/725-5842 FTS 725-5842	Earl Adams, Director Division of Forestry Centennial Office Building St. Paul, Minnesota 55155 Phone: 612/296-4484	Northeast
	Ohio	Richard D. Jackson, Director of Transportation Transportation Building 25 South Front Street Columbus, Ohio 43216 Phone: 614/466-2335	Mr. Martin Elehoo, Coordinator Emergency Medical Services Div. State Department of Health 450 East Town Street Columbus, Ohio 43216 Phone: 614/466-5410	State Director, FmHA Room 448, U. S. Post Office (Old) 121 East State Street Columbus, Ohio 43215 Comm 614/469-5606 FTS 943-5606	Ernest J. Gebhart, Chief Division of Forestry Fountain Square Columbus, Ohio 43224 Phone: 614/466-7062	Northeast
	Wisconsin	John Q. Radcliffe Highway Safety Coordinator Division of Highway Safety Coordination James Wilson Plaza - Suite 803 131 West Wilson Street Madison, Wisconsin 53702 Phone: 608/266-0402	Ralph L. Andreano, Ph. D. Emergency Health Services State Department of Health and Social Services 1 West Wilson St. Madison, Wisconsin 53701 Phone: 608/266-9092	State Director, FmHA Suite 209, 1st Financial Plaza, 1305 Main Street Stevens Point, Wisconsin 54481 Comm 715/341-5900 FTS 360-3809	Stanley W. Welsh, Chief State Forester Department of Natural Resources P. O. Box 450 4610 University Avenue Madison, Wisconsin 53701 Phone: 608/266-2197	Northeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region VI E. Robert Andresen Regional Administrator (NHTSA) 817 Taylor Street, Room 11A26 Fort Worth, Texas 76102 Comm (817) 334-3653 FTS 334-3653	Arkansas	David Elizandro, Ph. D Governor's Representative 116 National Old Line Bldg. Little Rock, Arkansas 72201 Phone: 501/371-1101	Mr. Gary E. Jones, Director Bureau of Emergency Health Services Arkansas Department of Health 4815 West Markham Little Rock, Arkansas 72201 Phone: 501/661-2262	State Director, FmHA 5529 Federal Office Bldg. 700 West Capitol Little Rock, Arkansas 72201 P. O. Box 2778 Little Rock, Arkansas 72203 Comm 501/378-6281 FTS 740-6281	Billy C. Gresham, State Forester Arkansas Forestry Commission 3821 West Roosevelt Road P. O. Box 4523,- Asher Station Little Rock, Arkansas 72204 Phone: 501/371-1734	Southeast
Dawson T. Kilcrease Regional Consultant for EMS 1114 Commerce Street Dallas, Texas 75202 (214) 749-2891	Louisiana	Mr. W. Lee Arledge Acting Executive Director Louisiana Highway Safety Commission P. O. Box 44061, Capitol Station Baton Rouge, Louisiana 70804 Phone: 504/398-5591	Mr. A. Jack Edwards, Admin. Bureau of Emergency Medical Services Health & Human Resources Admin. Division of Hospitals 333 Laurel Street, Suite 653 Baton Rouge, Louisiana 70804 Phone: 504/389-2288	State Director, FmHA 3727 Government Street Alexandria, Louisiana 71301 Comm 318/448-3421 FTS 497-6611	James E. Mixon, State Forester Louisiana Forestry Commission P. O. Box 1628 Baton Rouge, Louisiana 70821 Phone: 504/389-7361	Southeast
	New Mexico	D. K. Kelly State Traffic Safety Director New Mexico Traffic Safety Commission 339 P.E.R.A. Building State Capitol Santa Fe, New Mexico 87501 Phone: 505/827-2863	Mr. Truman R. Hopkins, Director Emergency Medical Services State Health and Social Services Department 113 Washington Avenue P. O. Box 2348 Crown Building St. Michaels Drive Santa Fe, New Mexico 85703 Phone: 505/827-3201	State Director Room 3414, Federal Bldg. 517 Gold Avenue, S.W. Albuquerque, New Mexico 87102 Comm 505/766-2462 FTS 474-2462	Raymond Gallegos, State Forester Department of State Forestry P. O. Box 2167 Santa Fe, New Mexico 87501 Phone: 505/ 827-2312	3
	Oklahoma	Gary B. Morris Governor's Representative Oklahoma Highway Safety Office Jim Thorpe Bldg, G 80 Oklahoma City, Okla. 73105 Phone: AC 405/521-3314	Marcus Barber, Chief Emergency Medical Services State Highway Safety Office Tenth and Stonewall Health Planning Commission Oklahoma City, Oklahoma 73105 Phone: 405/271-5161	State Director, FmHA Agricultural Center Office Bldg. Farm Road Stillwater, Oklahoma 74074 Comm 405/372-7111 Ext. 239 241 or 243 FTS .728-4230		
	Texas	Ken Nevil, Administrator Governor's Office of Traffic Safety P. O. Box 13449, Capitol Station Austin, Texas 78711 Phone: 512/475-6581	Charles R. King, Directo Emergency Medical Services Division State Department of Health Resources 1100 West 49th Street Austin, Texas 78756 Phone: 512/454-9521	State Director, FmHA 1015 Main St. Suite 102 Texas 76501 Comm 817/773-1711 FTS 736-1301	Paul R. Kramer, Director Texas Forest Service College Station, Texas 77843 Phone: 713/845-2641	Southeast

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region VII Everett L. McBride Regional Administrator, (NHTSA) P. O. Box 19515 Kansas City Missouri 64141 Comm (816) 926-7887 FTS 926-7887 Vaughn Means Regional Consultant for EMS 601 E. 12th Street Kansas City, Missouri 64106 (816) 374-2203	Iowa	Mr. Robert F. Tyson, Director Office for Planning and Programming Capitol Hill Annex 523 East 12th Street Des Moines, Iowa 50319 Phone: 515/281-5888	Robert J. Carson, Director Emergency Medical Services State Department of Health Lucas State Office Building Des Moines, Iowa 50319 Phone: 515/281-3741	State Director Room 873, Federal Bldg. 210 Walnut Des Moines, Iowa 50309 Comm 515/284-4[2] FTS 862-4463	H. Gene Hertel, State Forester State Conservation Commission 300 - 4th Street Des Moines, Iowa 50319 Phone: 515/281-5629	Northeast
	Kansas	Mr. O. D. Turner Secretary of Transportation Kansas Department of Transportation State Office Bldg. Topeka, Kansas 66612 Phone: 913/296-3461 (FTS) 8-757-3461	Thomas Adams,, Director Bureau of Emergency Medical Services Department of Health and Environment Building 321, Forbes Field Base Topeka, Kansas 66620 Phone: 913/862-9360	State Director, FmHA 536 Jefferson Street Topeka, Kansas 66607 Comm 913-295-2870 Ext. 375 FTS 752-2870	Harold G. Gallaher, State and Extension Forester Forestry Building 2610 Claflin Road Manhattan, Kansas 66502 Phone: 913/532-5752	2
	Missouri	William Kenneth Carnes Director of Missouri Public Safety Post Office Box 749 Jefferson City, Missouri 65101 Phone: 314/751-4905	Kenneth E. Cole, Jr., Director Bureau of Emergency Medical Services Missouri Division of Health P. O. Box 570 Jefferson City, Missouri 65101 Phone: 314/751-3454	State Director, FmHA 555 Vandiver Drive Columbia, Missouri 65201 Comm 314/442-2271 Ext. 3241 FTS 276-3230	Osal B. Capps, State Forester Missouri Department of Conservation 2901 North Ten Mile Drive P. O. Box 180 Jefferson City, Missouri 65101 Phone: 314/751-4115	Northeast
	Nebraska	R. James Pearson, Director Dept. of Motor Vehicle State Office Building State House Station 94789 Lincoln, Nebraska 68509 Phone: 402/471-2281	Richard F. Meyer, Director Emergency Health-Medical Services Division State Department of Health State House Station, Box 94767 Lincoln Bldg., 1003 "O" Street Lincoln, Nebraska 68508 Phone: 402/471-2158	State Director, FmHA Room 308 Federal Building 100 Centennial Mall North Lincoln, Nebraska 68508 Comm 402/471-5551 FTS 867-5551	Mitchell R. Forvill, Chairman Department of Forestry and State Forester 201 Miller Hall, East Campus University of Nebraska Lincoln, Nebraska 68583 Phone: 402/472-2944 or 2964	2

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DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region VIII R. C. O'Connell Regional Administrator (NHTSA) 330 South Garrison Street Lakewood Colorado 80226 Comm (303) 234-3253 FTS 234-3253	Colorado	Mr. Cordell Smith, Director Division of Highway Safety 4201 East Arkansas Avenue Denver, Colorado 80222 Phone: 303/757-9381	James C. McShane, DR.H., Chief Emergency Medical Services Colorado Department of Health 4210 East 11th Avenue Denver, Colorado 80220 Phone: 303/388-6111, Ext. 302	State Director, FmHA Room 231, #1 Diamon Plaza 2490 West 26th Avenue Denver, Colorado 80211 Comm 303/837-4347 FTS 327-4347	Thomas B. Borden, State Forester Colorado State Forest Service Colorado State University Fort Collins, Colorado 80523 Phone: 303/482-8185 or 491-6303	2
	Montana	Albert E. Goke Administrator, Division of Highway Traffic Safety Department of Community Affairs Capitol Station Helena, Montana 59601 Phone: 406/449-3412	Drew Dawson, Chief Emergency Medical Services Montana State Department of Health and Environmental Services Cogswell Building Helena, Montana 59601 Phone: 406/449-3895	State Director, FmHA Federal Building P. O. Box 850 Bozeman, Montana 59715 Comm 406/587-5271 Ext 4211 FTS 585-4211	Gareth C. Moon, Administrator Division of Forestry 2705 Spurgin Road Missoula, Montana 59801 Phone: 406/728-4300	1
Robert F. Heggie Regional Consultant for EMS 19th & Stout Street Denver, Colorado 80202 (303) 837-4466	North Dakota	Walter R. Hjelle Highway Commissioner North Dakota Highway Dept. Capirol Grounds Bismarck, North Dakota 58505 Phone: 701/224-2581	Mr. Robert P. Freise, Director Emergency Health Services Division State Department of Health 1200 Missouri Ave Bismarck, North Dakota 58505 Phone: 701/224-2388	State Director, FmHA Room 208, Federal Building Third and Rosser Bismarck, North Dakota 58501 P. O. Box 1737 Bismarck, North Dakota 58501 Comm 701/255-4011, Ext. Ext. 4237 or 4235 FTS 783-4235	Robert E. Johnson State Forester North Dakota State University First & Simrall Avenue Bottineau, North Dakota 58318 Phone: 701/228-2277	1
	South Dakota	Mr. Dale Christensen, Director of Highway Safety Department of Public Safety 118 West Capitol Avenue Pierre, South Dakota 57501 Phone: 605/224-3546	Frank T. L. Krogman, Director Emergency Medical Services State Department of Health Office Building No. 2 Pierre, South Dakota 57501 Phone: 605/224-3671	State Director, FmHA Christen and Rohm Building 239 Wisconsin Ave., S. W. Huron, South Dakota 57350 P. O. Box 821 Huron, South Dakota 57350 Comm 605/352-8651 Ext. 331 FTS 782-2355	James Verville, Director Department of Game, Fish, and Parks Division of Forestry Sigurd Anderson Building Pierre, South Dakota 57501 Phone: 605/224-3481	2
	Utah	Larry Lunnen Commissioner Department of Public Safety 317 State Office Building Salt Lake City, Utah 84113 Phone: 801/533-531-5650	Richard L. Warburton, Director Emergency Medical Services State Department of Social Services Department of Social Services Division of Health 44 Medical Drive Salt Lake City, Utah 84113 Phone: 801/533-6435	State Director, FmHA Room 5311 Federal Bldg. 125 South State Street Salt Lake City, Utah 84138 Comm 801/524-5027 FTS 588-5027	Paul L. Sjoblom, State Forester 1596 West North Temple Salt Lake City, Utah 84116 Phone: 801/533-5439	4
	Wyoming	James W. Byrd, Director Governor's Office of Highway Safety 720 West 18th Street Cheyenne, Wyoming 82002 Phone: 307/777-7497	Jim Murray, Director Emergency Medical Services Program Department of Health and Social Services State Office Building West Cheyenne, Wyoming 82002 Phone: 307/777-7356	State Director, FmHA Room 3213 Federal Building 100 East B Street Casper, Wyoming 82601 P. O. Box 820 Casper, Wyoming 82601 Comm 307/265-5550 Ext. 3272 FTS 328-5271	Carl E. Johnson State Forester Wyoming State Forestry Division 113 Capitol Building Cheyenne, Wyoming 82002 Phone: 307/777-7586	2

Attachment 2

DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions: NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region IX Bradford M. Crittender Regional Administrator (TSA) Two Embarcadero Center Suite 610 San Francisco, Califor 94111 Comm (415) 556-6415 FTS 556-6415 John I. Reilly Regional Consultant for EMS 50 Fulton Street San Francisco, Cal. 94102 (415) 556-0653	American Samoa	Ray Coston Special Assistant to the Governor Government of Samoa P. O. Box 1086 Pago Pago, American Samoa 96799	None	None	None	None
	Arizona	Mr. James L. Hill Governor's Highway Safety Rep. Arizona Dept. of Transportation Office of Highway Safety 1655 West Jackson Street Phoenix, Arizona 85007 Phone: 602/261-7692	Capt. Gordon Selby, Commander Emergency Medical Services Arizona Dept. of Public Safety P. O. Box 6638 Phoenix, Arizona 85005 Phone: 602/262-8411	State Director, FmHA Room 6095 Federal Building 230 North First Avenue Phoenix, Arizona 85025 Comm 602/261-3191 FTS 261-6701	Andrew L. Bettwy, State Forester State Land Department 1624 W. Adams Phoenix, Arizona 85007 Phone: 602/271-4627	3
	California	Honorable Richard T. Silberman Secretary, Business and Transportation Agency State of California 1120 N Street Sacramento, California 95814 Phone: 916-445-1332	Donald W. Holsten, Pharm. D Chief, Emergency Medical Services State Department of Health 744 "P" Street Sacramento, California 95814 Phone: 916/322-2300	State Director, FmHA 459 Cleveland Street Woodland, California 95695 Comm 916/666-2650 FTS 448-3223	Lewis A. Moran, State Forester State Division of Forestry 1416 Ninth Street Sacramento, California 95814 Phone: 916/445-2921	5
	Guam	Felix D. Imaizumi Governor's Highway Safety Representative Department of Public Works Government of Guam Agana, Guam 96910 Phone: Through Int'l Operator 646/5831, Ext. 11	Ms. Evelyn Francisco Dept. of Public Health and Social Services EMS Coordinator P. O. Box 2816 Agana, Guam 96910	None	William S. Hull, Chief Division of Forestry Government of Guam Agana, Guam 96910	5
	Hawaii	Rear Admiral E. Alvey Wright (U. S. N. Retired) Acting State Highway Safety Coordinator Department of Transportation 869 Punchbowl Street Honolulu,Hawaii 96813 Phone: 808/548-4655	Russell I. Pierce, M.D. Chief of Health Medical Services Division State Dept. of Health P. O. Box 3378 Honolulu, Hawaii 96801 Phone: 808/548-6510	Same as California	Bill Sager, State Forester Division of Forestry 1151 Punchbowl Street Honolulu, Hawaii 96813 Phone: 808/548-5930	5
	Nevada	John W. Borda, Director Office of Traffic Safety 1923 North Carson Suite 209-Capital Complex Carson City, Nevada 89710 Phone: 702/885-5720	Mrs. Reba L. Chappell, Chief Emergency Medical Services Office of Emergency Medical Services State Division of Health 505 East King, Capital Complex Carson City, Nevada 89710 Phone: 702/885-4800	Same as Utah	Lowell D. Smith, State Forester Division of Forestry 201 South Fall Street Carson City, Nevada 89701 Phone: 702/885-4350	4

Attachment 2

DOT/DOA/DHEW Resource Coordination — Rural EMS

NHTSA/DHEW Regions NHTSA Regional Administrators DHEW/Regional EMS Consultants	State	Governor's Representatives for Highway Safety	State Agency Delegates Coordinators of EMS	Farmers Home Administrator	Forest Service	Forest Service Region/Area
Region X William L. Hall Regional Administrator (NHTSA) 3140 Federal Building 915 Second Ave Seattle, Washington 98174 Comm (206) 442-5934 FTS 399-5934	Alaska	Mr. Richard L. Burton Commissioner, Department of Public Safety Pouch N Juneau, Alaska 99801 Phone: 907/465-4300	Richard D. Scott II, Associate Coordinator Emergency Medical Services Program Office of Planning and Research Department of Health and Social Services Pouch H-01A Juneau, Alaska 99811 Phone: 907/465-3044	Same as Oregon	Theodore G. Smith, State Forester Division of Lands 323 East Fourth Avenue Anchorage, Alaska 99501' Phone: 907/279-5586 Ext. 137	10
Don V. Leatherman Regional Consultant for EMS 1321 Second Avenue Seattle, Washington [illegible] 01 (206) 442-0496	Idaho	Mrs. Patricia Hause Ehrlich Administrator Idaho Traffic Safety Commission State House Boise, Idaho 83720 Phone: 208/384-3533	Mr. Paul B. Anderson, Chief Emergency Medical Services Bureau Department of Health and Welfare Statehouse Boise, Idaho 83720 Phone: 208/384-2129	State Director, FmHA Room 429, Federal Bldg. 2 04 N. Eight Street Boise, Idaho 83702 Comm 208/342-2711 Ext. 664 FTS 554-1730	Gordon C. Trombley, Director Idaho Department of Lands State Capitol Building Boise, Idaho 83720 Phone: 208/384-3284	
	Oregon	Gil W. Sellamy Governor's Representative Oregon Traffic Safety Commission 430 Summer St., N.E. Salem, Oregon 97310 Phone: 503/378-3670 or 3669	Jerry Sleeper Emergency Medical Services State Department of Human Resources P. O. Box 231 Portland, Oregon 97207 Phone: 503/229-5586	State Director, FmHA Room 1590 Federal Bldg. 1220 S.W. 3rd Avenue Portland, Oregon 97204 Comm 503/221-2731 FTS 423-2731	J. E. Schroeder, State Forester Department of Forestry 2600 State Street Salem, Oregon 97310 Phone: 503/378-2511	6
	Washington	Walter Friel Director Washington Traffic Safety Commission P. O. Box 1399 Olympia, Washington 98504 Phone: 206/753-6197 or 6538	Howard Farley, Head Emergency Medical Services Dept. of Social & Health Services Health Services Division P. O. Box 1788 Olympia, Washington 98504 Phone: 206/753-5331	State Director, FmHA Room 319, Federal Office Bldg. 301 Yakima Street Wenatchee, Washington 98801 Comm 509/662-4353 Ext. 353 FTS 390-0353	Don L. Fraser, Supervisor Department of Natural Resources Olympia, Washington 98504 Phone: 206/753-53317	6

STA[illegible]

Cooperative [illegible] Personnel

Region/Area	Name & Title	Phone
Region 1 Federal Building Missoula, MT 59801	Leroy Jones, DRF Robert V. Gorsuch, Coop. Fire Management Specialist	8-585-3319 -3190
Region 2 11177 W. 8th Ave. P.O. Box 25127 Lakewood, CO 80225	Tony Dorrell, DRF William L. Plourde, Cooperative Programs	8-234-4323
Region 3 Federal Building 517 Gold Ave., SW Albuquerque, NM 87102	Thomas G. Schmeckpeper, DRF Melvin T. Hyatt, Dir., Cooperative Forestry Programs Joe Clayton, Coop. Fire Management Specialist	8-474-2296 -3728 -3728
Region 4 Federal Office Bldg. 324 25th St. Ogden, Utah 84401	William Murray, DRF Richard E. Leicht, Dir., Coop. Forestry & Fire	8-586-6141 -6926
Region 5 630 Sansome St. San Fran., CA 94111	John W. Chaffin, DRF Richard B. Fores, Dir., Coop. Forest Fire Control	8-556-4310 -8875
Region 6 319 SW Pine Street P.O. Box 3623 Portland, OR 97208	Frank J. Kopecky, DRF William Shenk, Dir., Coop. Fire Control	8-423-3669 -2727
Region 10 Federal Office Bldg. P.O. Box 1628 Juneau, AK 99802	Robert O. Rehfeld, Program Dir. Robert C. Janes, S&PF Dehn S. Welch, Coop. Programs	FTS Operator 8-399-0150 ask for 586-7484, -7259
Northeastern Area 6816 Market Street Upper Darby, PA 19082	Robert D. Raisch, Director Alfred H. Troutt, Asst. Dir., Resource Protection Robert J. McDonald, Staff Dir., Coop. Forest Fire Mgmt. Staff Ames Harrison, Staff Specialist	8-596-1660 -1668 -1654 -1650
Southeastern Area 1720 Peachtree Rd,NW Atlanta, GA 30309	John Vance, Area Director Amel Landgraf, Asst A.D., Resource Protection Roger Hatch, Coop Forest Fire Mgmt. R. S. Jackson	8-257-5964 -2989 -3736 -3736

ALCOHOL COUNTERMEASURES

Senator Andrews: According to GAO, NHTSA's past Administrator recently indicated that the $88 million in Alcohol Safety Action Projects had little effect on reducing the drinking driver problem. What alternative approaches have you considered?

Response: The GAO report (pp. 46-67) also points out that the drinking driver problem is a highly complex problem which will require a long term continuous commitment, possibly lasting for generations. It points out the need for citizen commitment (and demand) for change and it points out the need for the Secretary of Transportation to initiate a leadership role in this area.

Furthermore, the GAO report indicates that recent efforts (of which the NHTSA alcohol countermeasure effort was the primary component) have shown that: (1) public awareness of the problem can be increased; (2) arrests and convictions can be increased; (3) reductions in alcohol-related crashes can be documented; (4) the number of persons identified and referred to treatment can be increased; and (5) the commitment of professionals who deal with the drinking driver problem can be increased.

In this background of the GAO report's conclusions, one has to view the substantial inroads made by the Federal, State, and local efforts in the 1970's to deal with the problem. In addition to finding observable reductions in alcohol-related crashes at a number of project sites, the following foundations were laid in the 1970's: (1) legislation to deal with the problem has been dramatically improved (e.g., implied consent laws, levels for presumed intoxication, preliminary breath test laws in 14 States, etc.); (2) law enforcement officers, prosecutors, and judicial personnel are more knowledgeable about the problem; (3) the public awareness of the problem has been substantially increased; and (4) comprehensive health-legal systems have been put into place in many States and localities to deal with the drinking driver using a variety of sanctions and treatment alternatives.

Clearly, we have not yet put a major dent in the problem in the United States. After 40 years of dealing with the problem in Scandanavia, it appears that some portion of their drinking driver problem has been solved (i.e., 30 percent of Sweden's fatalities are alcohol-related, compared with 50 percent of U.S. fatalities). There, severe penalties combined with high enforcement efforts and many other factors, have resulted in a high public awareness of the drinking driver offenses and its consequences. An atmosphere of general deterrence has been created.

We know from studies of our own Alcohol Safety Action Projects and from studies of foreign countries which have at least temporarily created atmospheres of general deterrence by means of high level enforcement, public information, and frequently applied licensing sanctions that reductions in alcohol-related crashes have been effected and documented. In the U.S. we have not yet found ways to make such reductions permanent. Scandanavia may provide the only example of a permanent effect to date.

However, we know that general deterrence programs can have an impact and if such programs can be sustained (i.e., high level enforcement and frequent application of licensing actions) an atmosphere of general deterrence and long term peer pressure against drinking and driving can be created. Such an effort will be maximally effective if it is supported with a comprehensive public information and education program as well as by treatment programs for apprehended drinking drivers. However, the latter should be seen as support programs, not as programs which will solve the drinking driver problem by themselves. Such efforts can be sustained to the extent that community action groups are present, visible, and effective.

This leads us to the differences between the efforts of the 1970's and the proposed emphasis areas for the 1980's. The groundwork was laid by the Alcohol Safety Action Programs. What is needed now is a refining and focusing of the system which has been put into place. More specifically, much of the emphasis in the 1970's was directed at putting the health portion of the health-legal system into place so that drinking drivers could receive appropriate education and/or treatment. The need now is to focus more on the general deterrence (legal) aspects of the system such as enforcement, adjudication, and sanctions (e.g., license actions). These efforts, coupled with public information programs designed to enhance their impact, provide the framework for an effective program which will: (1) deter the general public from drinking and driving; (2) properly sanction those persons who have been apprehended for drinking and driving; and (3) where necessary, provide for education and treatment for such individuals (in addition to appropriate sanctions).

In order for such a program to be put into place and sustained, it must not only be acceptable to the general public, it must be demanded by it. Currently, there is a surge of community action groups which are demanding stiffer programs for dealing with drinking drivers. These groups were relatively non-existent in the 1970's. They provide the nucleus for public pressure to be placed on the official drinking driver control system.

In summary, the efforts of the 1970's have laid the groundwork for an effective program. More emphasis is now being placed on general deterrence efforts coupled with long term public information and education programs. Such programs will be sustained only through strong public demand, the nucleus of which is the activity of local citizen action groups.

Senator Andrews: Why should NHTSA continue to be involved in funding alcohol countermeasure programs when some States perceive that there are no known solutions to the problem?

Response: Most States do not perceive the drinking driver problem as having no solutions. They recognize that there are no easy solutions to the problem and that long term commitment will be required. The fact that many States feel that something can be done about the problem is evidenced by the number of States which have created or are considering the creation of Task Forces to assess the problem and potential solutions to it. Such task forces have already been created in California, New York, Maryland, and West Virginia, and are being considered in a number of additional States such as Maine, Virginia, Georgia, and Michigan.

The NHTSA recently completed a series of State workshops where the drinking driver problem and potential solutions were discussed. The opinion of the majority of the persons who attended these workshops was that the drinking driver problem is not an insurmountable problem. Most of these participants felt that it was time to initiate more severe, more frequently administered legal measures to deal with the problem. NHTSA intends to concentrate on those States which want to do something to solve the problem.

RESEARCH EMPHASIS

Senator Andrews: According to page 55 of your budget justifications, the Carter budget included a 64 percent increase in your contract program for research and analysis. This $23.3 million increase seems to reflect an emphasis in the areas of Vehicle Research Engineering, Data Collection Operations, and Fuel Conservation. What is the policy, and the dollars, in the Reagan budget with regard to these areas?

Response: The policy of the Reagan budget is to proceed with the implementation of the National Accident Sampling System but at a slower pace than originally intended; to actively support the development of improved injury criteria, and development of an improved family of human surrogates for crash testing programs in both government and industry; to reduce spending in other vehicle related areas; to de-emphasize certain aspects of automotive fuel economy research (Technology Assessment) and to eliminate funding of the Fuel Conservation Program. The dollars for these programs are:

1. Vehicle Research Engineering			$17,236,000
Passenger Vehicle Research		($7,500,000)	
Integrated Vehicle Systems Research		($2,703,000)	
Automotive Fuel Economy Research		($5,142,000)	
Technology Assessment	($2,400,000)		
Economic Assessment	($2,742,000)		
Heavy Duty Vehicle Research		($1,891,000)	
2. National Center for Statistics and Analysis			$21,081,000
Data Collection Operations		($18,085,000)	
Design, Development & Data Analysis		($2,996,000)	
3. Fuel Conservation			-0-

RESEARCH EVALUATION AND DISSEMINATION

Senator Andrews: Is NHTSA evaluating and publishing results of successful research and determining what uses have been made of the results? Explain how.

Response: Yes, the results of research, successful and unsuccessful, are evaluated, published and disseminated to the user organizations within NHTSA that requested the research, the research community, universities, industry, and other interested parties. NHTSA considers the publication and dissemination of research and development findings to be one of the Agency's most important functions.

Research findings are critically reviewed to ensure that they serve as the basis for either scientifically supported recommendations needed for operational and top management decision making within the Agency--e.g., is there sufficient technical grounds for supporting a given rulemaking action--or for developing techincal information/data which can assist industry/public in making marketplace decisions. Some examples of how research is used follow :

1. Research in Direct Support of Rulemaking

Specific problems are identified and research is planned and conducted. The research results are distributed world-wide by the issuance of research project final reports, participation by the research staff in professional symposiums, conferences, and work shops. In addition, the research staff has close working relationships with their counterparts in the industry, universities, and other governments which allows for the development of solutions to current research problems.

In technologies related to possible future rules, we hold frequent conferences to present the results of our research to industry and interested research and consumer groups. For example, during the past year NHTSA has sponsored technical conferences on Side Impact Research, Pedestrian Research, and Vehicle Crashworthiness Ratings.

Within the Biomechanics research area there is a fairly close-knit group of experts in the auto producing countries of the world. These researchers are familiar with the past research results, the current research programs and what additional research work needs to be accomplished. This group corresponds frequently and meets as required to discuss progress and problems and to plan cooperative research. This personal contact is the principal and most effective means of distributing our biomechanics research results and of taking advantage of the research in progress world wide.

2. Research in the Data Area

In the publishing of technical reports and highway accident statistics, research results are distributed to members of the highway safety community. These people contact and interact with our researchers through phone calls, letters, symposiums, and informal and professional meetings. There is a constant interchange of ideas between people who are aware of past research, research in progress and planned research. For example:

A. Annual reports and monthly estimates of highway statistics, which are distributed to interested parties on a regular basis, help the highway safety community understand the magnitude of the highway safety problem, evaluate the effectiveness of various programs, and identify many problem areas.

   Fatal Accident Reporting System data and analyses have been used extensively to determine areas requiring vehicle improvement actions (improved side impact protection), by State legislators for determining highway safety problem areas requiring laws and programs (raising the dinking age and requiring motorcycle helmet usage), by the highway Research community, and by the Congress for making decisions concerning safety problems.

Data from the National Crash Severity Study, have been used to confirm low seat belt usage in the accident population and determining the incidence, characteristics, and consequences of rollover crashes and rejections. Its major uses have been in support of the passenger car side impact standard, the extension of standards to light trucks and vans, and a comprehensive understanding of impact force severity.

As the National Accident Sampling System sample increases, improved estimates will be obtained on injury severity, vehicle damage, scene information, and driver attributes.

B. Technical reports on motorcycle helmet effectiveness in reducing head injuries have been used to design and develop motorcycle safety courses at many universities and other institutions. The summary of the motorcycle studies' results were also requested by the U.S. Navy for use in their safety courses. Further, these studies are of interest and are available to all parties conducting related research.

C. Studies of the effectiveness of occupant restraints, particularly child restraints, have been used as supporting material for the Tennessee and Rhode Island child restraint laws.

D. Through data collection, the Agency determined that over 4 million people were injured in 1979 including 220,000 seriously injured survivors and 51,093 fatalities. Of the 4 million injured, about 1.9 million were treated in hospitals and approximately 520,000 had to be hospitalized. There were 3.5 million days of hospitalization associated with these accidents and 35,000 man years of work lost. These numbers are relevant to the cost benefit analyses that NHTSA and other safety organizations must conduct.

Research in Direct Support of Highway Safety Programs

Research in the area of highway safety and human behavior is divided into roughly two types: problem identification and countermeasure development and test. In both instances, the results are shared widely with members of the larger research and user communities. All project final reports are distributed to interested parties and especially important results are discussed at technical conferences and symposia, either by the staff of the Agency or by researchers with which the Agency contracted to actually perform the work. In addition to these formal contacts and dissemination procedures, the staff maintains close on-going relationships with colleagues in industry, in the States and in private organizations. Automobile manufacturers and dealer organizations, safety and educational groups, public health organizations, insurance companies and trade associations, and professional media producers are among the contacts with which the staff regularly keeps up communications. The highway safety research community is likewise an important focus of staff attention. Outside researchers doing work on this subject, whether in private firms in this country or in association with governments abroad, are also part of the network of communications maintained by the Agency. Accordingly, the results of NHTSA research are subject to review and criticism by a number of outside organizations. NHTSA research is widely disseminated already and procedures are being instituted to expand the process.

Products which result from NHTSA highway safety research are primarily channeled through the portion of the Agency which deals directly with the States. Sometimes, however, dissemination occurs directly in order to meet the immediate needs of users. A few examples will serve to illustrate this point. A motorcycle training and testing program which resulted in a reduction of 15-21% in accident involvement has been adopted by 31 States. A system for improving the performance of drivers with a record of violations has been developed by NHTSA and has been adopted by the American Association of Motor Vehicle Administrators as its officially recommended program for State Departments of Motor Vehicles. A guide to assist police in identifying drivers who are operating a vehicle while under the influence of alcohol has also been developed and is being incorporated into a number of State alcohol safety programs. By working closely with the primary user organization within NHTSA and with the ultimate user organizations -- the States -- the Agency ensures that research products are both conceived to meet a need and disseminated to those who can implement them effectively.

NATIONAL ACCIDENT SAMPLING SYSTEM RESULTS

Senator Andrews: Have any major causes of traffic accidents surfaced as a result of the National Accident Sampling System that were not already evident? How is this system used? What do you intend to do with the proposed increase in the Reagan budget?

Response: No major new causes of traffic accidents have been identified. During 1979 and 1980, the National Accident Sampling System was operating at only 15 percent of its designed size. As a consequence of this reduced size, many details were not reliably observed in the data. Nevertheless, we found the results very helpful in giving us a national picture of non-fatal accidents. Using this data, we achieved for the first time a comprehensive and consistent data base on the approximately 4,000,000 persons injured in accidents, including some details on the type of accident, source and severity of injury and resulting hospitalization. Frankly, we believe the greatest benefit from NASS will be the agency's ability to assess the costs and benefits associated with countermeasures more accurately, and to quantify countermeasure performance from real-world data as well as past laboratory and other controlled studies. Past research has identified virtually every imaginable accident cause, and it is unlikely we will discover a major new cause of accidents. However, we are now able, with the help of NASS to obtain more valid estimates of the frequency of occurrence of various types of accident situations, which enables us to obtain a clearer identification of severe safety problems for which ameliorative solutions must be sought.

The present use of the system provides data support for virtually all of our priority programs. In analyzing the first data collected we have observed that 85 percent of the trucks involved in accidents are light trucks and vans in comparison to medium and heavy trucks which comprise only 15 percent of the accident-involved trucks. Complete division between light trucks and medium and heavy trucks was impossible to achieve before NASS. In the future, with a complete system, we will be able to estimate the incidence of rollover and jackknife. In fiscal 1981 we will complete a study describing the incidence of truck underride by passenger cars. We have also obtained our first national estimate of motorcycle helmet effectiveness in reducing head injury and the use of motorcycle helmets. These data, though consistent with past isolated studies, are unfortunately based on only approximately 250 observations annually, a number too small to achieve satisfactory reliability. In addition, we studied the involvement of crash bars in motorcycle accidents, and observed that as presently installed on motorcycles these devices do not offer significantly improved protection from injury.

We used these data to extend our knowledge of motor vehicle crashworthiness through more reliable national projections. We observed that vehicles sustaining significant intrusion exposed occupants to approximately 3 times the risk of injury as vehicles sustaining little or no intrusion, which emphasizes the importance of research and rulemaking that promotes improved vehicle crash performance. The data yielded our first national estimate of safety belt use in accidents (12 percent). Safety belt effectiveness in reducing injury was observed to be comparable to past isolated studies, but these data do not contain sufficient numbers of serious injury to be reliable. We noted that the injury rate to occupants of small cars is about 45 percent greater than in large cars; however, once again the number of observations in our small sample precludes studying this problem in more detail. In fiscal 1981, using these data, we will improve our estimates of benefits associated with automatic restraints. We will also use these data in fiscal 1981 to improve our analysis of potential benefits associated with energy absorbing steering columns in light trucks and vans. In addition to the study of vehicle performance on occupant injuries, the data have been used to make national estimates of pedestrian injuries and the potential for reducing these injuries through improved design of vehicle front-ends.

We have studied our data to obtain a national picture of drivers in non-fatal accidents to complement our knowledge of fatal accidents. Approximately seven percent of all accident involved drivers are cited by police for alcohol-involvement and approximately 25 percent of accident involved drivers have sustained an accident in the previous 3 years. In fiscal 1981-82 we will be studying these data to learn more about driver characteristics, including driving experience and previous citations.

In summary, NASS will provide an objective basis for making intelligent choices among many countermeasures and their potential benefits. The increased appropriation in fiscal 1982 will sustain our expansion of the system to approximately 80 percent of its designed capacity. This will enable us to produce national estimates of the occurrence of specifically characterized accident situations with greater accuracy so that we can do a better job of identifying safety problem areas. Ultimately, a complete system will enable us to study heavy truck types, for example, rather than be limited to simply grouping medium and heavy trucks together in a class distinct only from light trucks. To cite another example, the complete system will allow us to study driver sub-groups such as young drivers, rather than simply observing all drivers as a single group.

RULEMAKING PROGRAMS BUDGET REQUEST

Senator Andrews: Under Rulemaking programs, you are requesting $1.98 million which is approximately three times the program level for time-critical test information in fiscal 1981. Would you be able to operate this activity in fiscal 1982 at the fiscal 1981 levels?

Response: The $1.98 million figure was the previous Administration's request. The current request for this budget category is $934,000,000. This represents an increase of approximately 50 percent over the 1981 level but a reduction of 53 percent in the original 1982 request. We believe that this activity can be operated at this new level. The reduction in the budget request reflects the elimination of increased efforts toward international harmonization of vehicle safety standards and the elimination of additional funds for more in-depth analysis of alternative approaches to projected rulemaking. Given our emphasis on better analysis of the safety problem, more elaborate analysis of alternatives to rulemaking, and more rigorous analysis and review of existing regulations, we believe the current budget request will satisfy our needs.

NATIONAL DRIVER REGISTER ELIMINATION

Senator Andrews: What is your rationale for eliminating the National Driver Register?

Response: Last year we submitted to Congress a report on the National Driver Register. That report stated "that continued operation of the existing system unless improved was not a viable alternative." In order to make the necessary changes to the present system, significant increases in funds would be necessary to develop, pilot test, and evaluate a new system. In addition, if the new system was found to be effective, substantial State and Community Highway Safety Grant funds would be necessary for start-up costs at the State level.

In view of substantial decreases in State and Community Grant funding coupled with the new emphasis to reduce Federal involvement and return to the States those activities that are truly State functions, we sought funding in FY 1982 sufficient only to terminate the National Driver Register.

It is our recommendation that the driver register function be operated by a private entity or association as a service function.

PASSENGER RESTRAINTS RULEMAKING

Senator Andrews: Detail for the record the history of the various issues relating to air bag systems and summarize the current standards.

Response: The requested information follows:

July 2, 1969	NHSB issues first "Advanced Notice of Proposed Rulemaking - Inflatable Occupant Restraint System," proposed effective date is January 1, 1972.

August 1970	GM pledges to provide air bags first as options and then as standard equipment on all its cars by the 1975 model year.
November 3, 1970	NHSB issues its standard requiring passive restraint protection, effective July 1, 1973 — a six-month delay from the January 1, 1973, date that it had been proposing for the standard.
December 1970	GM petitions the NHSB to slide the effective date of its passive restraint standard two months, from July 1, 1973, to September 1, 1973.
March 10, 1971	Revised the standard to require the current options until 1973 (1) complete passive protection (2) passive protection for front seat positions, plus lap belts (3) lap and shoulder belts at front outboard positions, lap belts for all other positions; a choice of front seat passive restraint or full passive restraints between 1973 and 1975, and mandatory passive restraints for all seating positions effective August 15, 1975.
April 1971	Industry challenges rule in court.
February 5, 1972	Ignition interlock allowed as option for 74 and 75 models.
December 5, 1972	Sixth Circuit court approves Agency choice of passive over active system but invalidates rule for lack of objectivity in SAE dummy test device.
August 1, 1973	New dummy specifications issued. (Part 572)
August 1973	GM commences production of air bag - equipped automobiles. Ten thousand produced for 1974-1976 models but production discontinued in 1976. Technical development by industry nearly ceased because of market uncertainty.
March 1974	NHTSA proposes a revised passive restraint standard to take effect with the 1977 model year.
October 29, 1974	1974 Vehicle Safety Act Amendments. o Abolishes interlock o Requirements for non-belt systems - Secretary must hold a hearing - Must advise House and Senate Commerce committees in writing of proposed non-belt standard - Any member of Congress may make oral presentation

	- Final standard must be transmitted simultaneously to both House and Senate Commerce Committees - Congress has 60 calendar days of continuous session to invalidate by concurrent resolution of both Houses.
June 14, 1976	Secretary Coleman Proposes Five Occupant Restraint Options: 1) Continue existing Standard 208 requiring manufacturers to provide either seat belts or passive restraints, or a combination of the two 2) Require States to take actions to increase seat belt use 3) Conduct a Federal field test of passive restraints 4) Require that manufacturers provide passive restraints on all cars 5) Require that manufacturers provide an option of passive restraint on some models
December 6, 1976	Secretary Coleman announces decision for demonstration project equipping up to 500,000 1981-82 models with passive restraints manufactured by GM, Ford, Mercedes-Benz, Volkswagen (Passive Belts) for sale to the public to show and foster public acceptance. A maximum of 300,000 such cars are promised by GM. GM's air bag cars are to be intermediate - size models, and the air bags are to retail for $100. GM agrees to "specific measures to assure that the cars are marketed effectively," Coleman says.
March 24, 1977	Secretary Adams reconsiders Coleman decision proposing three options and sets a public hearing for April 27, 1977. Concerned that the negotiated contracts between DOT and the auto makers represent a 5-8 year delay in any decision to install passive restraints in all passenger cars.
April 27-18, 1977	Secretary Adams presides at public hearing and promises to announce by July 1, 1977, whether he will require passive restraints.
June 30, 1977	Secretary Adams announces his decision to require front-seat passive protection for all new autos on the following schedule: September 1, 1981 - New cars with 115-inch wheelbase or greater. September 1, 1982 - New cars with 101-inch wheelbase or greater.

	September 1, 1983 - All new cars.
June 30, 1977	Representative Shuster and Senator Griffin introduce bills to overturn the DOT action.
August 4, 1977	The four domestic auto makers file petitions with DOT to withdraw or revise the passive restraint rule.
September 1, 1977	Pacific Legal Foundation filed suit to block Secretary Adams mandatory passive restraint rule.
September 1977	Senate and House hearings held on FMVSS No. 208 and on disapproval resolutions.
September 1977	House Consumer Protection and Finance Subcommittee, a quorum being present, defeated a 208 disapproval resolution by voice vote and reported a resolution to the full House Commerce Committee with the recommendation that the disapproval resolution not pass. The full House Commerce Committee voted to support the DOT 208 decision. Senate Consumer Subcommittee voted unanimously to disapprove resolutions of disapproval of 208 and recommended to the full Senate Commerce Committee that the disapproval resolutions be tabled indefinitely. The full Senate Commerce Committee voted by voice vote to report their disapproval of the disapproval resolutions to the Senate with their recommendation that they not pass.
October 1977	House Commerce Committee voted 16-14 not to send 208 disapproval resolution to the House floor.
October 12, 1977	Senate voted 65-31 against 208 disapproval resolution.
June 12, 1978	House voted 237-143 for Shuster amendment to NHTSA appropriations bill to prohibit funds for 208 implementation.
February 1, 1979	U.S. Court of Appeals for the D.C. Circuit held that, in the case of Pacific Legal Foundation vs. Adams. 1) the decision of Secretary Adams that reliability of air bags included with automatic seat belts in Std. 208 requiring "passive restraints" in all passenger cars sold in the U.S. after September 1, 1983, was established by laboratory tests and limited field experience was rational and supported by evidence in record, and

	2) Secretary Adams satisfied statutory requirements that he demonstrate "good cause" for not implementing Std. 208 within one year of issuance by explaining that a four-year lead-in period would grant car and air bag manufacturers breathing room to gear up production and would encourage voluntary production of cars with passive restraints in order to increase the public's familiarity with systems and facilitate their eventual acceptance.
September 27, 1979	GM announces that they are delaying introduction of air bags in their 1981 model year vehicles because of the potential risk of injury to unrestrained small children.
October 1, 1979	Administrator Claybrook designates a special team of engineers, medical experts, accident data analysts and others to investigate the claims made by GM regarding out-of-position children and air bags.
October 1979	NHTSA publishes a proposed Evaluation Plan to evaluate FMVSS No. 208.
December 1979	GM states that the problems with unrestrained children were solved and that it would offer air bags on their 1982 large cars.
December 1979	John Burton, the Chairman of the House Government Activities and Transportation Subcommittee (Government Operations Committee) announces that in response to a subcommittee request, GM has turned over to him three internal GM consumer surveys. The studies -- carried out in 1971, 1978 and 1979 — all show very strong consumer demand for air bags in new cars.
December 1979	NHTSA issues proposed comfort and convenience requirements for both automatic and manual seat belt assemblies.
March 1980	GM in their comments to FMVSS No. 208, Evaluation Plan, states that they do not currently plan to offer air bags in their medium or small size cars.
May 1980	GM announces it will postpone its plans to introduce air bags in the 1982 model year to 1983.
May 1980	Mercedes Benz announces it will provide air bags as standard equipment in all model year 1982 U.S. version passenger cars.

August 1980	House-Senate conferees voted to give auto makers an extra year to comply with FMVSS No. 208, but also to require that large companies (Domestic & Foreign) make air bags available on one car line. In three out of the four model years between 1982 and 1985, General Motors, Ford Motor Co., and producers of some large volume import cars would have to tool up and offer for sale air bags.
October 1980	Air bag bill fails in the House of Representatives. The House turned back compromise legislation that would have required air bags in at least one car line of the major U.S., German and Japanese auto manufacturers by the 1983 model year. Bill was brought up under a suspension of the rules, a two-thirds majority was needed. It failed 209-192. Later vote due after Congressional recess.
October 1980	Volvo announces it will provide air bags in their top-of-the-line 1982 cars.
December 1980	Compromise legislation on FMVSS No. 208 fails to get majority.
December 1980	Recommended practice specifying comfort and convenience requirements for manual and automatic belts is issued by NHTSA.
February 12, 1981	NHTSA issues notice proposing one year delay of automatic restraint requirement for model year 1982 large cars.
April 9, 1981	NHTSA publishes final rule granting one year delay of automatic restraint requirement for model year 1982 large cars.
April 9, 1981	NHTSA publishes notice of proposed rulemaking on a series of alternative amendments to the automatic restraint requirements of safety standard No. 208.

The preambles to the last two notices above provide a detailed description of the current status of the various issues relating to air bags. These preambles are published in the Federal Register of April 9, 1981, beginning at page 21172.

PASSENGER RESTRAINTS COSTS

Senator Andrews: What would be the per-vehicle cost of installing air bags on a new car and how does that compare with other restraint systems? What would be the cost of replacing the air bag, once the original has been activated?

Response. NHTSA's current estimate of installing air bags on a new car, based on industry submissions, is $400 dollars for high production volumes and as much as $1,100 dollars for low production volumes. This compares with a similar estimate of 105 dollars for the initial incremental cost of automatic belts. It is estimated that the cost of replacing the air bag, once the original has been activated, ranges from twice to two and a half times the original cost. The insurance companies have indicated that this replacement cost would be a part of their collision repair coverage and would add about $1 per year to each motorist's collision repair policy.

PASSENGER RESTRAINTS SURVIVABILITY RATES

Senator Andrews: What would be your statistical expectations of accident survivability, in each of the various types of crashes, of an individual using existing seat and shoulder harness versus the deployment of airbags? Other restraint systems?

Response. The effectiveness of air bags with a lap belt, and automatic belts ranges from 40 to 60 percent depending on the design of the systems and the particular vehicle in question. This means that the use of any one of the above systems is estimated to reduce the risk of death or serious injury by about one half.

PASSENGER RESTRAINTS EFFECTIVENESS

Senator Andrews: What is the difference in the effectiveness of manual seat belts, when used, versus the passive restraint seat belts?

Response. Differences in the effectiveness of these systems when they are used are not significant, particularly when compared with the difference in the chance of surviving a crash when restrained by any of the systems and the chance of survival when unrestrained.

CONTRACT MANAGEMENT

Senator Andrews: What has NHTSA done to improve its contract management to reduce the number of contract modifications and to spread contracting throughout the year?

Response: The concern that we have a contract management problem that has caused the number of contract modifications to be unusally high was expressed in a GAO report CED-80-87 dated July 28, 1980. The Department's response to that report was that our practices on contract modifications demonstrate sound management principles in that modifications are made to recognize interim results, and their impact on specifications and expected products. We believe we should modify contracts when the need becomes apparent rather than accept less usable results or engage in another time and manpower-consuming competitive procurement where the current contractor is highly likely to win because of previous work in the same area.

We have made attempts to spread our contract awards throughout the fiscal year. Legislative requirements now dictate that we award no more than 30 percent of this year's budget in the last quarter of the fiscal year and no more than 15 percent in any given month in the last quarter. As a result, we have already awarded 43 percent of our FY 81 budget which is well ahead of where we normally are at this point in the fiscal year.

NHTSA REGULATIONS

Senator Andrews: Please detail for the record the NHTSA regulations which may have been cancelled or postponed by the new Administration and provide a justification for each such action.

Response: To date, there is only one final rulemaking that has resulted in the postponement of a NHTSA regulation, and that is the action that was taken on April 6, 1981 granting a one year delay in the implementation of the first phase of Federal Motor Vehicle Safety Standard 208, automatic occupant crash protection for large cars. This final rule was published in Vol. 46 of the Federal Register at page 21172 or April 9, 1981.

The 1977 decision to require automatic restraints for all passenger cars by model year 1984, by first requiring them in large cars in model year 1982, was based on a variety of key assumptions which, in light of subsequent events, are no longer valid. The Department assumed that consumers would freely be able to choose between air bags and automatic belts, with 60 percent of cars having the former and 40 percent having the latter. The air bag percentage was based on the expectation that all large cars and half of the mid-size cars would be equipped with those systems. The Department believed also that some of the even smaller cars would be equipped with air bags.

These factors, together with the greater design problems and absence of experience in installing air bags in smaller cars, led the Department to phase-in the automatic requirements beginning with large cars. Current manufacturer plans contemplate almost no installation of air bags, only about 1 percent of the total fleet of new cars. As a result, the phasing-in of the requirements with large cars first and small cars last requires reexamination.

The phase-in sequence is further called into question by the accelerated switch from large cars to less safe, smaller ones. The Department recognized that a switch would occur as a result of 1973-74 oil shock and the impending implementation of fuel economy standards. It did not, however, anticipate that the switch would occur as rapidly as it has, due in large measure to the subsequent oil cut-off of 1979. In 1977, NHTSA estimated that size mix in the early 1980's would be 24 percent small cars, 53 percent mid-size cars, and 23 percent large cars. Now the expectation is that new car fleet will consist of 1 percent large cars, 58 percent mid-size cars and 41 percent small cars. When the numbers of large and small cars in the early-mid 1980's were expected to be approximately the same, the sequence of implementation had no significance in terms of the cars equipped with automatic restraints. Given the currently expected fleet mix of large and small cars, the sequence has substantial significance, especially since smaller cars are less safe.

In the analysis which preceded the February 12 proposal, the Department determined that a number of additional factors are relevant. Among these factors is the unnecessary character of the costs which would be incurred by application of automatic restraint requirements to large cars scheduled to be phased-out in the near future. These costs would arise largely from the loss of sales due to increased cost, and to the loss of the middle front seat position in large cars.

Another factor is the possibility that initial public acceptance of automatic restraints might have been adversely affected by the decision of large manufacturers not to make air bags available in model year 1982. Still another factor was the effect of current automatic belt designs on public acceptance and usage.

Based on all of these factors, the Department decided to adopt the one year delay for installing those restraints in large cars.

RECALLS

Senator Andrews: Detail for the record the ten largest recalls in each of the last two years including: the model year, make and model, the number of vehicles recalled, a brief description of the defect and an estimate of the cost of each recall. Provide totals on the number of vehicles recalled and the total cost.

Response: 1979 Ten largest vehicle safety defect recalls are as follows:

Make	Model	Model Year	Number of Vehicles Recalled
Chevrolet	Malibu	1978	1,896,222
Chevrolet	Monte Carlo	1978	
Pontiac	Lemans	1978	
Pontiac	Grand Prix	1978	
Oldsmobile	Cutlass	1978	
Buick	Century	1978	
Buick	Regal	1978	
GMC	Caballero	1978	

Possibility that under certain driving conditions, vehicle may encounter temperatures in the front wheel outer bearing area which can affect the wheel bearing grease. This can result in inadequate lubrication of the bearing. Continued operation of the vehicle with inadequate lubrication may cause the front wheel outer bearing to fail which in turn may result in damage to the spindle. If the driver continues to operate the vehicle, damage to the spindle can occur which may result in a loss of vehicle control and vehicle crash. Cost Estimate $43,000,000.

Make	Model	Model Year	Number of Vehicles Recalled
Buick	LeSabre	1979	1,326,404
Buick	Electra	1979	
Cadillac	Deville	1979	
Cadillac	Fleetwood	1979	
Cadillac	Linousine	1979	
Chevrolet	Impala	1979	
Chevrolet	Caprice	1979	
Oldsmobile	88	1979-80	

Oldsmobile	98	1979-80
Pontiac	Catalina	1979
Pontiac	Bonneville	1979

Possibility that on certain vehicles heads may break off front outboard seat belt anchor bolts during normal operation even though no loads have been applied to them. Belts may appear to be normally attached, but are only lightly retained. In event of accident in which restraint is required, failure of seat belt anchorage will increase probability of injury to wearer of the belt. Cost Estimate $10,000,000.

Make	Model	Model Year	Number of Vehicles Recalled
Volkswagen	Rabbit	1975-79	540,000
Volkswagen	Scirocco	1975-79	

Vehicles equipped with standard transmission. Possibility that the hole in the fender apron through which the antenna cable is routed is not properly sealed. Water droplets sprayed into the wheel well could trickle down the antenna cable and enter the fuse relay board. This would activate the starter and move the vehicle if the transmission is in gear and the emergency brake is not applied. Cost Estimate $4,200,000.

Make	Model	Model Year	Number of Vehicles Recalled
Chevrolet	Impala	1977-79	476,245
Chevrolet	Caprice	1977-79	
Pontiac	Safari	1977-79	
Pontiac	Grand Safari	1977-79	
Oldsmobile	Custom Cruiser	1977-79	
Buick	Estate	1977-79	
Buick	Estate Wagon	1977-79	

Possibility that a child could open the rear side storage compartment door and enter this compartment. If the compartment door then were to be closed, the child could become entrapped as the door cannot be unlatched from the inside. If outside help were not available in time, the child could suffocate. Cost Estimate $2,400,000.

Make	Model	Model Year	Number of Vehicles Recalled
Cadillac	Deville	1977-78	372,466
Cadillac	Brougham	1977-78	

Possibility that vehicles were built with an accelerator pedal having an extension, or rubber flap, at the bottom of the pedal. This pedal flap could be inadvertently displaced by a floor covering and wedge under the pedal in a manner that could influence the throttle setting and increase the engine RPM. In the event this condition were to occur and the vehicle transmission is shifted from Park or Neutral to Drive or Reverse, the increased engine speed could produce an acceleration rate unanticipated by the driver. Cost Estimate $1,600,000.

Make	Model	Model Year	Number of Vehicles Recalled
Datsun	280Z	1975-79	295,710
Datsun	810	1975-79	

Possibility that on certain vehicles the contents of blow - by gas vented to components of the electronic fuel injection systems may cause prolonged high idle under extreme cold weather driving conditions. A mist may be generated which could form a gum and affect the smooth open/close operation of the shaft. Cost Estimate $4,600,000.

Make	Model	Model Year	Number of Vehicles Recalled
Mercury	Capri	1971-77	273,000

Possibility that on certain vehicles the gear shift selector lever may be susceptible to breakage during shifting. Cost Estimate $1,800,000.

Make	Model	Model Year	Number of Vehicles Recalled
Buick	Skylark	1980	224,892
Chevrolet	Citation	1980	
Pontiac	Phoenix	1980	
Oldsmobile	Omega	1980	

Possibility that on certain vehicles the automatic transmission cooler line hoses may contain material voids, which, coupled with a high thermal expansion at elevated temperatures, could result in hose failure during vehicle operation. If such a failure occurred, transmission fluid leakage could create the potential of a vehicle fire. Cost Estimate $2,300,000.

Make	Model	Model Year	Number of Vehicles Recalled
Chevrolet	Monza	1977-78	172,000
Pontiac	Sunbird	1977-78	
Oldsmobile	Starfire	1977-78	

Possibility that operation of vehicle in a manner which produces hard bottoming out of the front suspension may cause deformation of the left engine mount bracket to contact the steering pitman arm or steering linkage. This condition could ultimately result in difficult steering of vehicle. Cost Estimate $4,800,000.

Make	Model	Model Year	Number Vehicles Recalled
Subaru	All	1977-78	170,000

Possibility of engine stalling during operation at temperatures approximately 20F and below caused by carburetor and secondary throttle valve shaft icing. Cost Estimate $3,100,000.

1980 Ten largest vehicle safety defect recalls are as follows:

Make	Model	Model Year	Number Vehicles Recalled
Dodge Truck	B100	1971-78	1,000,000
Dodge Truck	B200	1971-78	
Dodge Truck	B300	1971-78	
Dodge Truck	MB300	1971-78	
Dodge Truck	MB400	1971-78	
Dodge Truck	CB300	1971-78	
Dodge Truck	CB400	1971-78	
Plymouth Truck	B100	1971-78	
Plymouth Truck	B200	1971-78	
Plymouth Truck	B300	1971-78	

Possibility that the left frame rail extension may experience fatigue cracking of the inboard rail near the area in which the power steering gear attaches to the frame. Some vehicles, when subjected to certain severe service steering maneuvers may develop a frame crack. Cost Estimate $2,400,000.

Make	Model	Model Year	Number of Vehicles Recalled
Dodge	Omni	1978-79	425,000
Plymouth	Horizon	1978-79	

Possibility that on certain vehicles the alternator field wiring terminal connections may loosen due to engine vibration and result in an open circuit condition. Should this occur, alternator electrical output to support the vehicle electrical loads and the battery charging system would be lost. Cost Estimate $5,800,000.

Make	Model	Model Year	Number of Vehicles Recalled
Dodge	Omni	1979-80	355,000
Plymouth	Horizon	1979-80	

Possibility that on certain vehicles the engine compartment fuel line hoses may harden and become brittle with continued exposure to fuel and high underhood temperature environment. Flexing of hardened hoses due to engine vibration may eventually cause the hoses to crack, resulting in the potential for fuel leakage. Cost Estimate $1,600,000.

Make	Model	Model Year	Number of Vehicles Recalled
Dodge Truck	B300	1973-77	350,000
Dodge Truck	MB300	1973-77	
Dodge Truck	MB400	1973-77	
Dodge Truck	CB300	1973-77	
Dodge Truck	CB400	1973-77	
Plymouth Truck	B300	1973-77	
Plymouth Truck	MB300	1973-77	
Plymouth Truck	MB400	1973-77	
Plymouth Truck	CB300	1973-77	
Plymouth Truck	CB400	1973-77	

Possibility that on certain vehicles there could be wheel turn stop deterioration, causing the front disc brake calipers to contact the frame longitudinal rails during extreme front wheel turning angles. Such caliper to frame contact may move the caliper outboard, resulting in excessive disc brake pad to rotor clearance. The increase in brake pedal travel to overcome this clearance may reduce front brake system effectiveness following a turning maneuver. Cost Estimate $900,000.

Make	Model	Model Year	Number Vehicles Recalled
Ford	Custom	1973-74	314,000
Ford	Galaxie	1973-74	
Ford	LTD	1973-74	
Ford	Ranch Wagon	1973-74	

Possibility vehicles with 351W CID engines are equipped with flexible five-blade cooling fans, some of which can become cracked when subjected to high engine speed operating conditions where stresses reach high levels. If undetected, cracking in fan can lead to separation of fragments without prior warning and if the hood is open at time, pose risk of personal injury to individuals in vicinity of vehicle. Cost Estimate $3,600,000.

Make	Model	Model Year	Number of Vehicles Recalled
Ford	All	1974	253,000
Mercury	All	1974	

Possibility that certain 5-blade engine cooling fans may be subject to high blade stresses which can result in fatigue cracking of blades. Fragments eventually may separate without prior warning while the engine is operating. Such fragments propelled from the rotating fan create a risk of damage to underhood components and, if the hood is open, may also pose a hazard of personal injury to individuals in the vicinity of vehicle. Cost Estimate $2,900,000.

Make	Model	Model Year	Number of Vehicles Recalled
Dodge	Omni	1980	235,000
Plymouth	Horizon	1980	

Possibility that on certain vehicles the hood secondary catch may be subject to binding due to variations in the catch and its mounting base assembly. Inadequate catch to mounting base pivot surface clearance may cause the catch to bind in an open position, resulting in an inoperative secondary catch system. Cost Estimate $800,000.

Make	Model	Model Year	Number of Vehicles Recalled
Ford	LTD II	1977	209,100
Ford	Thunderbird	1977	
Mercury	Cougar	1977	

Possibility vehicles with 351W CID engines are equipped with flexible five-blade cooling fans, some of which can become cracked when subjected to high engine speed operating conditions where stresses reach high levels. If undetected, cracking in fan can lead to separation of fragments without prior warning and if the hood is open at the time, pose risk of personal injury to individuals in vicinity of vehicle. Cost Estimate $4,600,000.

Make	Model	Model Year	Number of Vehicles Recalled
Volkswagen	Scirocco	1975-79	140,000
Volkswagen	Rabbit	1975-79	

Possibility that on certain vehicles equipped with automatic transmission the hole in the fender apron through which the antenna cable is routed is not properly sealed. This could allow splash water from the front tire to enter the passenger compartment and the fuse relay board, causing corrosion buildup at the terminals. The water could cause the starter to activate accidently, exhausting the battery and preventing restarting. Also, parking lights or emergency flashers would be inoperative posing a safety hazard. Cost Estimate $1,500,000.

Make	Model	Model Year	Number of Vehicles Recalled
Datsun	510	1971-73	118,898

Possibility that a rubber plug and clamp used to close off the return line at the fuel line bead may deteriorate and crack. This would occur in some environments with high ozone content combined with high ozone ambient temperature and low humidity.

Should a crack develop, it could result in fuel leakage into the rear seat area creating gasoline fumes and a fire hazard condition. Cost Estimate $360,000.

There is little definitive information available on the true cost of a recall campaign. Manufacturers do not provide this information since they consider cost data to be of a proprietary nature. Although some idea of what labor costs can be obtained from review of time allowances in recall service bulletins, administrative and parts costs are generally tightly held. The recall data included here are based on the NHTSA estimates.

Senator Andrews: What was the total number of recalls in each of the last two years and how many vehicles were affected?

Response: In 1979 there were 275 recalls which affected 8,919,402 vehicles. Recalls for 1980 totaled 167 and affected 4,863,937 vehicles.

HISTORY OF BUDGET REQUEST

Senator Andrews: Please provide for the record a tabular listing, at the project level, showing the FY 1981 allocation, the FY 1982 Carter Request, the dollar increase or decrease of the Carter Request over 1981, the 1982 Reagan Request, the dollar increase or decrease of the Reagan Request compared with FY 1981, and the percentage increase or decrease of the Reagan Request compared with FY 1981.

Response: The following table provides a history of the FY 1981 and FY 1982 budget requests to Mr. Carter and Mr. Reagan.

HISTORY OF BUDGET REQUEST

Operations and Research
(Dollars in Thousands)

Budget Activity	FY 1981 Carter Request	FY 1981 Reagan Request	FY 1982 Carter Request	FY 1982 Reagan Request	Change: 1982 over 1981 Carter Request Amount	Change: 1982 over 1981 Carter Request Percent	Change: 1982 over 1981 Reagan Request Amount	Change: 1982 over 1981 Reagan Request Percent
Rulemaking Programs								
Positions	116	111	116	96	...	...	-15	-13.5%
Salaries & Supporting Expenses	$ 4,876	$ 4,845	$ 4,876	$ 4,584	...	...	-$261	-5.4%
Contract Program:								
Vehicle Safety & Consumer Stds.	680	680	1,980	934	+ 1,300	+191.2%	+ 254	+37.4%
Automotive Consumer Programs	1,000	1,000	760	740	-240	-24.0%	-260	-26.0%
Subtotal	$1,680	$1,680	$2,740	$1,674	+$1,060	+63.0%	-$6	-.3%
Total, Rulemaking Programs	$6,556	$6,525	$7,616	$6,258	+$1,060	+16.2%	-$267	-4.1%
Enforcement Programs								
Positions	114	109	114	101	...	...	-8	-7.3%
Salaries & Supporting Expenses	$4,221	$4,183	$4,221	$4,003	...	...	-$180	-4.3%
Contract Program:								
Vehicle Safety Compliance	4,873	4,873	4,870	4,700	-$3	-.06%	-173	-3.6%
Defects Investigation	2,162	2,162	2,200	2,100	+38	+1.8%	-62	-2.9%
Subtotal	$7,035	$7,035	$7,070	$6,800	+$35	+.4%	-$235	-3.3%
Total, Enforcement Programs	$11,256	$11,218	$11,291	$10,803	+$35	+.3%	-$415	-3.7%
Highway Safety Programs								
Positions	246	235	246	170	...	...	-65	-27.7%
Salaries & Supporting Expenses	$4,199	$4,156	$4,208	$6,341	+$9	+.2%	+$2,185	+52.6%
Contract Program:								
Alcohol & Other Countermeasures	1,715	1,715	1,800	2,300	+85	+5.0%	+585	+34.1%
Improvement of Traffic Safety and Enforcement Systems	2,103	2,103	2,008	2,008	-95	-4.5%	-95	-4.5%
Improvement of State Program Mgmt. Capability	2,442	2,412	2,527	1,400	+85	+3.5%	-1,012	-42.0%
State Assistance Program for Inspection, Maintenance and Repair	500	500	500	...	...	...	-500	-100.0%
Subtotal	$6,760	$6,730	$6,835	$5,708	+$75	+1.1%	-$1,022	-15.1%
Total, Hwy. Safety Programs	$10,959	$10,886	$11,043	$12,049	+$84	+.7%	+$1,163	+10.7%

	FY 1981		FY 1982		Change: 1982 over 1981			
	Carter Request	Reagan Request	Carter Request	Reagan Request	Carter Amt.	Request Percent	Reagan Amt.	Request Percent
Research & Analysis								
Positions	183	175	183	163	...	...	-12	-6.9%
Salaries & Supporting Costs	$6,816	$6,772	$6,826	$6,511	+$10	+.14%	-261	-3.9%
Contract Program:								
Motor Vehicle Safety Fuel Economy Research & Conservation								
Passenger Vehicle Research	6,882	6,882	8,915	7,500	+2,033	+29.6%	+618	+9.0%
Integrated Vehicle System (IVS)	5,700	5,700	5,203	2,703	-497	-8.7%	-2,997	-52.5%
(AFE) Technology Assessment	3,190	3,190	8,616	2,400	+5,426	+170.0%	-790	-24.8%
(AFE) Economic Assessment	1,948	1,948	2,526	2,742	+578	+29.7%	+794	+40.8%
Fuel Conservation, Fuel Economy	...	...	4,654	...	+4,654	+100.0%	...	...
Heavy Duty Research	2,110	2,110	2,121	1,891	+11	+.5%	-219	-10.3%
Subtotal, Motor Vehicle Safety, Fuel Economy and Conservation	$19,830	$19,830	$32,035	$17,236	+$12,205	+61.5%	-$2,594	-13.0%
Highway Safety Research	$3,292	$3,292	$3,000	$2,900	-$292	-8.9%	-$392	-11.9%
National Center for Statistics and Analysis								
NCSA Collection, Operations	10,940	10,940	22,085	18,085	+11,145	+101.9%	+7,145	+65.3%
NCSA Design, Development & Data Analysis	2,743	2,743	2,996	2,996	+253	+9.2%	+253	+9.2%
Subtotal	$13,683	$13,683	$25,081	$21,081	+$11,398	+83.3%	+$7,398	+54.0%
Subtotal, Contract Program	$36,805	$36,805	$60,116	$41,217	+$23,311	+63.3%	+$4,412	+11.9%
Total, Research & Analysis	$43,621	$43,577	$66,942	$47,728	+$23,321	+53.5%	+$4,151	+9.5%
General Administration								
Positions	178	167	178	156	...	...	-11	- 6.5%
Salaries & Supporting Costs	$12,838	$12,758	$12,838	$13,927	...	...	+$1,169	+ 9.1%
Contract Program:								
Program Evaluation	1,345	1,345	1,495	1,431	+150	+11.1%	+86	+6.4%
Computer Support	755	755	827	827	+72	+9.5%	+72	+9.5%
Compliance Reviews	100	100	100	100	...	...	...	...
Community Tech. Ex.	...	...	125	...	+125	+100.0%	...	...
Subtotal	$ 2,200	$2,200	$ 2,547	$ 2,358	+$347	+15.8%	+$158	+7.[illegible]%
Total, General Admin.	$15,038	$14,958	$15,385	$16,285	+$347	+2.3%	+$1,327	+8.8%

	FY 1981		FY 1982		Change: 1982 over 1981			
	Carter Request	Reagan Request	Carter Request	Reagan Request	Carter Amount	Request Percent	Reagan Amount	Request Percent
Distribution of Grand Total:	$87,430	$87,164	$112,277	$93,123	+$24,847	+28.4%	+$5,959	+6.8%
Positions	837	797	837	686	...		-111	-13.9%
Salaries & Supporting Costs	$32,950	$32,714	$32,969	$35,366	+$19	+.05%	+$2,652	+8.1%
Contract Program	$54,480	$54,450	$79,308	$57,757	+$24,828	+45.6	+$3,307	+6.1%

State and Community Highway Safety Grants
(Dollars in Thousands)

	FY 1981 Carter Request	FY 1981 Reagan Request	FY 1982 Carter Request	FY 1982 Reagan Request	Carter Amount	Request Percent	Reagan Amount	Request Percent
Entitlement Grant Program	$143,412	$143,482	$128,487	$73,150	-$14,925	-10.4%	-$70,332	-49.0%
School Bus Driver Training	2,500	2,500	1/	...	-2,500	-100.0%	-2,500	-100.0%
Nat'l Max. Speed Limit	24,000	24,000	38,462	...	+14,462	+60.2%	-24,000	-100.0%
Innovative Grants	1,000	1,000	2,000	...	+1,000	+100.0%	-1,000	-100.0%
Grant Administration	7,993	7,923	8,288	3,850	+295	+3.6%	-4,073	-51.4%
Transportation Systems Mgmt.	10,000	10,000	...	...	-10,000	-100.0%	-10,000	-100.0%
	$188,905	$188,905	$177,237	$77,000	-$11,668	-6.2%	-$111,905	-59.2%

1/ To be financed from Entitlement Grants.

INNOVATIVE GRANTS

Senator Andrews: What is your rationale for eliminating the Innovative Grants Program? Please list the States, projects and amounts in which these grants were distributed in FY 1980.

Response: Funds for the State and Community Highway Safety Program are very limited in FY 1982. The Innovative Grants Program is authorized under this program.

In view of more compelling priorities, it has been recommended that the limited resources be concentrated on those program areas which either directly reduce crashes, injuries and fatalities, or which support the identification of these problem areas.

FY 1981 was the first year that an appropriation was obtained for Innovative Grants. Applications for the $1 million in FY 1981 are now being reviewed.

TRUCK ACCIDENT CAUSATION STUDY

Senator Andrews: What progress are you making on the Truck Accident Causation Study which Congress directed last year?

Response: The National Center for Statistics and Analysis (NCSA) of Research and Development has been assigned the responsiblity for accomplishing the directive from Congress. An inter-agency committee and working group comprised of representatives from NHTSA and FHWA have been established to coordinate project activities and manage and execute project tasks, respectively. A working plan formulating research activities into a multi-task approach has been developed which reflects the instructions of the Committee Report. Formal arrangements have been made to solicit information and data relating to the study from other Government agencies (both State and Federal), the trucking industry, law enforcement organizations, and researchers. A detailed analysis plan has been developed, and the preparation of a draft report outline is in progress. Time limitations did not allow the opportunity to embark on new data collection initiatives. Therefore, a review, assembly, and analysis of existing truck accident and exposure data bases will be conducted. The review and assembly of these data files is nearly completed with analysis to begin shortly. All project activities are on schedule and a timely submission of the mandated Congressional report is anticipated.

TRUCK SAFETY MEETINGS

Senator Andrews: Do you see any potential for the Administrator to meet with the leading representatives of the highway safety and user community to see where future policies should lead us in regard to truck safety? We would appreciate your keeping the Committee periodically advised in this regard.

Response: Yes. As part of the Congressionally mandated truck accident causation study, the Agency is planning to hold a meeting through the auspices of the Transportation Research Board (TRB) of the National Academy of Sciences with representatives of Federal agencies, State transportation and/or highway departments, truck manufacturers, operators and carriers, labor organizations, police officials, accident investigators and researchers, insurance companies and other interested and affected parties. In addition, a meeting is being planned between the Administrator and some of the leading representatives of the highway safety and user communities on policy issues relevant to truck safety. These interactions hopefully will be the springboard for forging cooperative links between the public and private sectors to accomplish our mutual goals of improving highway safety. We will keep your office informed of the results of our initiatives.

QUESTIONS SUBMITTED BY SENATOR ABDNOR

SCHOOL BUS DRIVER TRAINING FUNDS

Senator Abdnor: The South Dakota Department of Education and Cultural Affairs has written me to express concern about the future of Section 406 funds under the Reagan Administration.

South Dakota licenses 2,300 school bus drivers each year, of which about 600 are new school bus drivers. There has not been a school bus fatality in my State since the beginning of the program, and this might be due in part to the Section 406 program.

Since I recognize the need for budgetary restraints I do not intend to fight any cuts in the program, but I would appreciate the Administration's justification for the cuts, as well as your recommendations as to where the State should go with such programs now.

Response: Our experience with most of the States indicates that after five years of funding school bus driver education, most have a solid program underway. Many States have made provisions in their budgets for continuing their training programs with State funds and Section 402 funds.

In view of the actions by the States, we believe Section 406 funds are no longer necessary. Further, we recommend that school bus driver training programs return to a totally State-funded status.

GRANT PROGRAM REDUCTION

Senator Abdnor: The South Dakota Department of Public Safety has also written. They are concerned about cuts in Section 402 Highway Safety Funds. Could you please provide me with a justification of these cuts also. It does seem ironic that while this is a block grant type program, it too is falling victim to the budget ax.

Response: In view of other national priorities, the rising demand for fiscal restraint and a balanced budget, the FY 1982 budget reflects approximately a 50 percent reduction from the FY 1981 appropriation of $150.4 million for the basic 402 program. In order to carry out the State and Community Highway Safety Program in a socially and fiscally responsible manner, it is recommended that States apply sound management practices and limit their program efforts to those activities having the highest accident reduction potential. These program areas also address the most common and pressing highway safety problems among the States.

The 1982 request for Entitlement Grants will be used to sustain the most important impact activities initiated with 1980 funding and to accelerate activities in key program areas to:

- Control the drinking driver through development of comprehensive, coordinated alcohol safety programs.
- Focus traffic law enforcement activities on unsafe driving acts.
- To improve the quality and availability of emergency medical services training.
- To improve the content and quality of accident data required for accident analysis at the State and national level.

QUESTIONS SUBMITTED BY SENATOR CHILES

GRANT PROGRAM DISCONTINUATION

Senator Chiles: The Administration has proposed to reduce State safety grants by $111.9 million compared to the amount provided in FY 1981. Based on information supplied to the Committee, these Federal expenditures represent only 2% to 3% of the total amount spent by the States for this purpose. In view of the small amount provided and the fact that all States have State Highway Safety Programs, what would be the impact of discontinuing Federal funding for this activity entirely?

Response: Funds requested in FY 1982 for Section 402 highway safety grants will be directed to program activities at State level that have the highest potential for traffic accident and fatality reduction. These key areas are:

- Controlling the drinking driver through development and implementation of comprehensive coordinated alcohol safety programs.
- Focusing traffic law enforcement activities on unsafe driving acts.
- Improving the quality and availability of emergency medical services, particularly in rural areas.
- Improving the content and quality of accident data required for accident analysis at State and national levels.

If Federal funding were discontinued, it must be expected that statewide highway safety programs in most States would decline sharply. The anticipated increase in effectiveness of impact programs would most likely not take place.

It is reasonable to estimate that the nation's traffic fatality rate would rise as the benefits of the grant program were eliminated. The accomplishments of the past provide an indication of what would be lost.

We have seen the grant program encourage the implementation of program improvements. State and local programs tend to become institutionalized, to be continued year-after-year without change. The 402 funds provide the additional resources to implement changes, or start new programs, and to test their effectiveness in increasing system efficiency. In other words, it provides the "risk capital" or "seed money" for innovative efforts that might not otherwise be attempted for fear of failure and criticism.

It has catalyzed State efforts in dealing with high priority safety problems and influenced State and local funding for safety programs. In the past 10 years there has been substantial growth in the number of jurisdictions adopting alcohol countermeasures and implementing key alcohol standard elements. Both local police traffic manhours and the number of serious violation citations written have increased 63 percent. Emergency responses to traffic accidents and other medical emergencies have improved dramatically, with the result that the United States Emergency Medical Service System is now judged the finest in the world.

GRANT PROGRAM OBLIGATION

Senator Chiles: Provide for the record the amount granted to each state in fiscal year 1981 and the amount that would be granted to each state based on the amount requested.

Response: The amounts granted for each state for FY 1981 and FY 1982 are as follows:

($ in thousands)

	Estimated Fiscal Year 1981	Estimated Fiscal Year 1982
Alabama	$ 2,980	$1,304
Alaska	849	366
American Samoa	656	-0-
Arizona	1,694	741
Arkansas	1,942	850
California	13,774	6,029
Colorado	2,177	953
Connecticut	2,014	882
Delaware	849	366
District of Columbia	849	366
Florida	5,036	2,204
Georgia	3,843	1,682
Guam	656	-0-
Hawaii	849	366
Idaho	1,149	496
Illinois	8,040	3,519
Indiana	4,070	1,781
Iowa	2,875	1,258
Kansas	2,744	1,202
Kentucky	2,646	1,158
Louisiana	2,767	1,211
Maine	849	366
Maryland	2,623	1,148
Massachusetts	3,751	1,642
Michigan	6,572	2,877
Minnesota	3,590	1,571
Mississippi	2,061	902
Missouri	4,043	1,769
Montana	1,148	502
Nebraska	1,861	815
Nevada	849	366
New Hampshire	849	366
New Jersey	4,631	2,027
New Mexico	1,148	502
New York	12,044	5,272
North Carolina	4,014	1,757
North Dakota	1,278	559
Northern Marianas	656	-0-
Ohio	7,537	3,299

	Estimated Fiscal Year 1981	Estimated Fiscal Year 1982
Oklahoma	2,695	1,179
Oregon	2,474	1,083
Pennsylvania	8,285	3,626
Puerto Rico	1,694	741
Rhode Island	849	366
Secretary of the Interior	849	366
South Carolina	2,206	966
South Dakota	1,170	512
Tennessee	3,215	1,407
Texas	9,494	4,155
Utah	1,127	493
Vermont	849	366
Virginia	3,454	1,512
Virgin Islands	656	-0-
Washington	2,888	1,264
West Virginia	1,416	620
Wisconsin	3,779	1,654
Wyoming	849	366
Total	169,912 1/	73,150 2/

1/ Does not include Grant Administration ($7,993)- Innovetive Grants ($1,000) and Transportation Systems Management ($10.000)

2/ Does not include Grant Administration ($3.850).

GRANT PROGRAM LEGISLATIVE REQUIREMENTS

Senator Chiles: Under what legislative requirements do States submit State Highway Safety Plans to NHTSA for approval?

Response: 23 U.S.C. 402(a) requires that each State shall have a highway safety program approved by the Secretary, and that such programs shall be in accordance with uniform standards promulgated by the Secretary. Since the inception of the highway safety program, Section 402(a) has been interpreted as requiring submission by the States of a general or master plan covering existing or proposed State highway safety activities for a multi-year period. In accordance with 23 U.S.C. 315, the Secretary or his delegate (NHTSA) is authorized to promulgate rules and regulations to implement Section 402 by prescribing the form, time, manner of submission, and annual updating of State HSPs.

Senator Chiles: Are the receipt of 402 safety grants contingent on having an approved Highway Safety Plan?

Response: Yes, 23 U.S.C. 402(c) states that the Secretary shall not apportion any funds to any State which is not implementing a highway safety program approved by the Secretary in accordance with Section 402. The Highway Safety Plan for any given Federal fiscal year serves as the basis for determining whether or not the State is implementing an approved program.

RULEMAKING PROGRAMS

Senator Chiles: How many rules does NHTSA currently have in effect? Please provide a brief descriptive listing of these rules. The Committee understands that NHTSA has an intensive review under way to determine which of these rules could be abolished. What is the timetable for this review process, and what general criteria are being used to determine which rules can be abolished? What portion of the rules does NHTSA plan to abolish?

Response: There are 51 Federal Motor Vehicle Standards and 19 Regulations currently in effect. A brief descriptive listing follows:

Standard No. 101	Control Location, Identification and Illumination
Standard No. 102	Transmission Shift Level Sequence, Starter Interlock, Transmission, Braking Effect
Standard No. 103	Windshield Defrosting and Defogging
Standard No. 104	Windshield Wiping and Washing Systems
Standard No. 105	Hydraulic Brake Systems
Standard No. 106	Brake Hoses
Standard No. 107	Reflecting Surfaces (Chrome Trim)
Standard No. 108	Lamps, Reflective Devices and Associated Equipment
Standard No. 201	Occupant Protection in Interior Impact
Standard No. 203	Impact Protection for the Driver from the Steering Control System
Standard No. 205	Glazing Materials
Standard No. 206	Door Locks and Door Retention Components
Standard No. 207	Seating Systems
Standard No. 208	Occupant Crash Protection
Standard No. 209	Seat Belt Assemblies
Standard No. 210	Seat Belt Assembly Anchorages
Standard No. 211	Wheel Nuts, Wheel Discs, and Hub Caps
Standard No. 301	Fuel System Integrity
Standard No. 109	New Pneumatic Tires
Standard No. 110	Tire Selection and Rims - Passenger Cars
Part 12	Customs Regulations
Part 568	Vehicles Manufactured in Two or More Stages
Standard No. 202	Head Restraints
Standard No. 112	Headlamp Concealment Devices
Standard No. 113	Hood Latch Systems
Standard No. 114	Theft Protection
Standard No. 115	Vehicle Identification Numbers
Standard No. 212	Windshield Mounting
Standard No. 116	Motor Vehicle Brake Fluids
Part 567	Certification Regulation
Part 569	Regrooved Tires
Part 575	Consumer Information (Tire Reserve Load, Acceleration and Passing Ability, Vehicle Stopping Distance)
Standard No. 213	Child Seating Systems
Standard No. 118	Power-Operated Window Systems
Standard No. 214	Side Door Strength
Part 574	Tire Identification and Record Keeping
Standard No. 302	Flammability of Interior Materials
Part 573	Defect Reports
Standard No. 121	Air Brake Systems
Standard No. 215	Exterior Protection (Bumpers)
Standard No. 117	Retreaded Pneumatic Tires
Standard No. 216	Roof Crush Resistance
Standard No. 122	Motorcycle Brake Systems
Standard No. 125	Warning Devices
Standard No. 124	Accelerator Control Systems
Standard No. 123	Motorcycle Controls and Displays
Standard No. 217	Bus Window Retention and Release
Standard No. 126	Truck-Camper Loading
Part 577	Defect Notifications
Part 555	Temporary Exemptions from Federal Motor Vehicle Safety Standards

Part 580	Odometer Disclosure Requirements
Part 572	Anthropomorphic Test Dummies
Standard No. 218	Motorcycle Helmets
Standard No. 119	New Pneumatic Tires
Part 553	Procedures
Part 576	Records Retention (Interim Rule)
Part 582	Insurance Cost Information Regulation
Part 575	Consumer Information - Uniform Tire Quality Grading
Standard No. 219	Windshield Zone Intrusion
Part 552	Petitions for Rulemaking, Defect and Non-compliance Orders
Standard No. 120	Tire Selection and Rims for Vehicles Other Than Passenger Cars
Standard No. 220	School Bus Rollover Protection
Standard No. 221	School Bus Body Joint Strength
Standard No. 222	School Bus Seating and Crash Protection
Part 581	Bumper Standard
Part 556	Exemption for Inconsequential Defect or Noncompliance
Part 531	Passenger Automobile Standards for Model Years 1981-1984
Standard No. 127	Speedometers and Odometers
Part 533	Light Truck Fuel Economy Standards

On April 6, 1981, NHTSA transmitted to the Federal Register a notice describing the efforts which NHTSA has undertaken and the specific immediate and longer term actions by which NHTSA intends to reduce unnecessary regulatory pressures upon the automobile industry. This notice was published on April 9, 1981, in Volume 46 of the Federal Register beginning at page 21205.

NHTSA undertook a comprehensive review of: (1) its existing standards and regulations, (2) those standards or regulations (or modifications thereof) which have been adopted in final form but the effective date of which has not yet been resolved, and (3) those pending proposals to adopt or modify standards or regulations which are currently subject to notices or advance notices of proposed rulemaking but which have not been adopted in final form.

In addition, NHTSA has reviewed those ongoing rulemaking efforts which have been subject to public notifications of intended rulemaking, or with respect to which specific comment or advice has been requested from the public by the Agency.

NHTSA undertook this review to determine what, if any, modifications to its standards and regulations may be appropriate to reduce regulatory burdens upon the regulated industries without jeopardizing the safety or consumer-related goals and policies established by Congress in its related legislation.

In undertaking this review, each standard, regulation or proposed rulemaking or modification was examined to determine (1) the direct or indirect relationship of the rulemaking in question to the safety or consumer goals of the Agency; (2) the relative importance of the rulemaking in achieving such goals; (3) whether the performance addressed by the rulemaking would be expected to continue at comparable levels in the absence of the rulemaking (taking into account such factors as the size and competitive characteristics of the specific regulated entities, any economic or market pressures or enforceable standards of care established by common or statutory law which might influence maintenance or deterioration of levels of performance, and whether regulated entities are subject to external pressures which would tend to insure achievement of the intended goals e.g., voluntary standards of compliance adopted by industry or professional societies); (4) the costs, benefits and burdens created or imposed by the rulemaking, (taking into account such factors as the difficulty of quantifying in economic terms the value of human life; the amount of consumer information sufficient to allow the public to make free choices in the marketplace; and the availability of specific data to support regulatory determinations); (5) the effects of the rulemaking on innovation and productivity in the industry and any associated administrative costs or burdens; and (6) whether in the absence or withdrawal of Federal regulation, the States would be able or encouraged to regulate independently, thereby making motor vehicle regulation more complex and costly.

In addition to the specific criteria enumerated above, NHTSA is taking into account the type and number of complaints or suggestions received from the industry, public interest groups or special constituencies, and private individuals. The Agency has attempted to identify overlapping, duplicate or inconsistent aspects of its standards or regulations.

Finally, NHTSA has taken into account the length of time which has passed since each standard or regulation has been internally reviewed; changing safety, economic or other factors which may have affected the need or impact of the standard or regulation; and, in this light, the relevance of the policy of the new Administration strongly to prefer the operation of market or individual consumer choices to define and achieve societal goals.

With regard to which portion of the rules that might be modified or abolished, a brief listing was provided in response to the Chairman's question at the hearing. Additional details are provided in the Federal Register issue of April 9, 1981, beginning at page 21205.

Senator Chiles: Does NHTSA plan to issue any new rules in 1982? Since the contract program is primarily to support the issuance of new rules, can further reductions be made in this area?

Response: The notice of intent that is referred to in the previous question and the earlier question at the hearing shows that several of the proposals are scheduled for issuance in June and July of 1981. These proposals will generate comment from interested parties and the public; the comments must be analyzed and regulatory analyses prepared; the implementation of this process may result in some final rules being published in 1982. The contract program is not only aimed at the support of issuance of new rules, it is also aimed at the analysis and review of existing rules and the examination of alternatives other than rulemaking for the solution of motor vehicles and highway safety problems.

ENFORCEMENT PROGRAM

Senator Chiles: What relationship does the defects investigation activity have with the enforcement of NHTSA rules?

Response: The enforcement of NHTSA rules (Federal Motor Vehicle Safety Standards) is the responsibility of the Office of Vehicle Safety Compliance. The Office of Defects Investigation assists that Office in their enforcement duties by providing pertinent information concerning possible standards violations from the many consumer complaints and other sources of safety information received and maintained in its computerized data system. The defect investigation activity was established by Congress to address those areas not covered by safety standards.

Senator Chiles: What sanctions does NHTSA have to enforce its rules?

Response: Sanctions available to NHTSA in the enforcement of its rules include remedy without charge for motor vehicles or items of equipment which fail to comply with an applicable Federal Motor Vehicle Safety Standard or contain a defect which relates to motor vehicle safety. In addition, civil penalties not to exceed $1,000 for each violation of a standard or regulation up to a maximum of $800,000 for any related series of violations can be imposed.

A manufacturer who fails short of the applicable average fuel economy standard is assessed a civil penalty of $5 for each tenth of a mile per gallon shortfall multiplied by the total number of vehicles in the fleet class. Failure to comply with the other provision of the Act is liable for civil penalty of not more than $10,000 for each violation. Each day of a continuing violation shall constitute a separate violation.

Sanctions for odometer violations include civil penalties of $1,000 per violation not to exceed $100,000 for any related series of violations. Criminal penalties up to a $50,000 fine or 1 year imprisonment, or both, can also be imposed.

HIGHWAY SAFETY PROGRAM

Senator Chiles: What is the major purpose of the program technology and information transfer to the States?

Response: The purpose of the NHTSA technology transfer program is to deliver improved methods and materials to the State officials who have day-to-day responsibilities for reducing traffic crashes and casualties, and to obtain the adoption and use of these improvements. Thus, delivery requires a system composed of several increments to assure the user that the innovations will produce cost-effective benefits.

The NHTSA 5-Year Plan for the Highway Safety Research Development and Demonstration Program provides a spectrum of mechanisms to motivate adoption and use of the improvements. These are: 1) produce, publish, and distribute reports describing the innovations and the benefits and costs their implementation will involve, 2) initiate public information and education campaigns, 3) encourage model projections, 4) support demonstration projects, 5) conduct seminars, workshops and conferences, 6) prepare specific technical materials to increase knowledge, change attitudes and facilities acceptance, 7) provide technical assistance to State and community officials, 8) provide a clearinghouse for implementation experience information, and 9) prepare appropriate manpower training curricula for critical technical specialties. These mechanisms are used selectively, depending on the product.

During FY 1980 a series of four workshops were conducted for highway safety planners in Atlanta, Georgia; Kansas City, Missouri; Sacramento, California; and Newport, Rhode Island. At these sessions, the latest technology in Alcohol Safety, Driver Licensing, Motorcycle Safety, Occupant Restraints, Pedestrian Safety, Public Communication, Speed Limit Enforcement and Compliance and Vehicle Factors were presented. The response of the participants at the workshops and the assessments that were received afterward have encouraged the continuation of this effort.

For FY 1981 the workshop presentations are being directed particularly to State technical program managers rather than planners. As a result, NHTSA specialists in Police Traffic Services, Driver Licensing, Judicial Training, Motorcycle Safety, Pedestrian Safety will conduct specialized presentations and lead discussions on implementation.

NHTSA conducted 27 two-State workshops on the subjects of Alcohol Safety and Occupant Restraints during FY 1981 to attract State activists and opinion leaders to highlight the need for community action in these areas.

Senator Chiles: What role do the States have in formulating the Highway Safety Program?

Response: Each State annually prepares a plan to address the specific problems disclosed by the analysis of its crash and demographic data. The Plan is developed by State personnel with guidance from the NHTSA Regional Office. The Plan is approved for funding by the NHTSA Regional Administrators in accordance with published criteria. Within the general limitation prescribed for all Federal grant-in-aid funds, State personnel identify the resources and action necessary to solve these problems. State personnel implement the plan through project agreements with recipient State agencies. Thus, the State personnel analyze their data to identify problems, decide the priority of solutions, and in the cases where Highway Safety funds are used, enter into agreements for the action prescribed.

Senator Chiles: What evidence exists that the States use this information?

Response: An outstanding example of State application of NHTSA produced technology is the acceptance and use of the Problem Identification procedures for State Highway Safety Plan development. The procedures were developed in early 1980 to simplify and streamline the statistical analysis of State crash and demographic factors. The States immediately employed the processes in preparing their FY 1980 and FY 1981 Highway Safety Plans.

Similarly, 48 of the States have implemented analytic procedures for the statistical evaluation of 108 selected FY 1980 projects following guidance provided by NHTSA. From these evaluations, the States will be able to determine the effectiveness of the projects.

NHTSA was instrumental in establishing the Traffic Records Committee of the National Safety Council. The membership of this Committee includes specialty professionals from virtually all States. This group, using the National Traffic Records Forum as a sounding board, has achieved several significant achievements in the improvement of accident records in particular and traffic records generally. All States but one have adopted a single format for accident report. All but nine States have a Uniform Citation Report, a document vital to Court Records and Driver License history.

NHTSA produced Driver Licensing publications on Fraudulent Identification, Screening for Driver Limitation, the Medical Advisory Board, Involvement of Suspended/Revoked Drivers in Accidents, among others. State and local police are using the Fraudulent Identification material to increase their detection of identity fraud and also to support the adoption of legislation and procedural changes to better deal with false identification.

Licensing examiners have needed a guide to recognize symptoms of conditions that could interfer with safe driving. In cooperation with the American Medical Association and the American Association of Motor Vehicles Administrators, NHTSA published such a guide in 1976. The use of the 46 page instructional workbook and the successful completion of its incorporated exam enables an examiner to detect potential limiting signs and symptoms. In most States the examiner can then refer the applicant to professional medical authorities. A follow-up survey revealed that 95% of the States (and several Canadian provinces) were using or planning to use the content of the manual in their examiner training.

State and community law enforcement administrators have been faced with the compound growth of greater numbers of motor vehicle operators (up 35% from 1969 to 1979), and more mileage travelled (up 48% from 1969 to 1979) together with greater demands for non-traffic assignments and only slight increases in available manpower. These conflicting pressures have been the basis for obtaining greater enforcement effectiveness through personnel training and assignment from entry level skills to management analysis and organization. NHTSA products such as curricula and specialty training (e.g., drunk driving detection) products have been widely used by the States and police training institutes.

In Emergency Medical Services personnel qualifications have been improved as a result of NHTSA products and effort. In cooperation with State, national, and professional associations, NHTSA has sponsored and published a series of courses designed to develop technicians capable of administering under professional supervision both Basic and Advanced life-saving and support techniques. At the outset of the program, advanced first aid was only infrequently available. Today, 49 States have set standards for the training, examination, and registration of Emergency Medical Technicians.

In the matter of Emergency Medical Vehicles a similar history exists. In cooperation with the National Academy of Sciences, NHTSA published design criteria for ambulances that provided space and equipment necessary for a trained technician to initiate immediate procedures to persons suffering life-threatening injuries. These criteria led to the establishment of a group (representative of the automotive manufacturers, equipment manufacturers, the medical professionals, the service purveyors and State and Federal agencies) to develop a standardized configuration and description of an emergency medical vehicle. These specifications were completed in 1974, and have been adopted by 47 States.

These examples demonstrate that NHTSA financing, research, validation, and demonstration of new products and concepts has accelerated their development and made them available sooner than would have otherwise been possible. Wherever possible, NHTSA has used State and community agencies in program demonstrations. These products are under continuous review and are upgraded when State use shows that there are opportunities for improvement.

NATIONAL ACCIDENT SAMPLING SYSTEM OBJECTIVES

Senator Chiles: Please describe the ultimate purpose of the National Accident Sampling System. What data will be in the system and what NHTSA program purpose will it serve?

Response; The purpose of the National Accident Sampling System is to provide the agency and the safety community with detailed reliable national data on traffic accidents, and to establish a data base for developing and evaluating safety countermeasures. The system will include data on vehicle damage and performance in the crash, occupant injury and injury source, driver violation history and characteristics of the accident environment and roadway. These data have been chosen for their usefulness in supporting the priority areas of safety countermeasure development in the agency and on the basis of objectivity and reliability in their collection. These include programs in crashworthiness, such as improved side impact protection and improved steering column performance, and they include traffic safety programs such as enforcement and emergency medical services. These programs and others will benefit from selected detailed observations from the above data, and from accurate estimates of benefit that can accrue as a result of adoption of selected countermeasures.

RESEARCH AND ANALYSIS PLANNING

Senator Chiles: According to the GAO, the NHTSA research programs suffer from weak planning and a credibility gap with the State agencies and other potential users. For example, GAO states that NHTSA has done considerable research which could not be used by the States, and that research is often started with little chance of success. What has NHTSA done to correct these problems? What portion of the research proposed for Fiscal Year 1982 has specifically been requested by potential users? What purpose is there in doing research of little interest to potential users?

Response: NHTSA has in place a strong and active planning function. NHTSA's 403 five-year plan directly addresses in considerable detail the major national highway safety problems in the United States, as enunciated by State agencies and other potential users. As part of this planning process, in 1979 the Agency held a 403 Planning Conference at Dulles Airport, Virginia, so that the 403 Plan could be developed in close contact with, and with participation by nearly 200 representatives of State and local governments, as well as by practitioners of the research community specializing in highway safety. The Agency has developed this plan in close contact with States and localities and after advice from practitioners in the wider research community. It has taken comments from all these user sources into consideration in its preparation and in each of the plan's revisions. We intend to continue to solicit and use State and local input in future iterations.

The five-year plan is designed to respond to the program and management needs of users, who, in the Dulles Conference in 1979, affirmed their support of most of the plan. In those instances in which the conference delegates recommended additional or alternative projects, the Agency has tried to include these. Of course, with the current emphasis on limiting Federal expenditures, present funding will not meet all program plans. Nevertheless, the program contains a balance among problem identification, research, test, and demonstration. Products of this research program go to strengthen State highway safety planning, management, and data systems, and there is a direct technology transfer into user organizations. The projects proposed in the FY 1982 budget include only a limited selection from the 403 plan, but those selected were given the highest priority because they were considered to be the ones with the greatest potential pay-off.

It is true that some previous research has not resulted in producing positive safety benefits. It is also true that some research has shown significant safety benefits. Simply, that is the nature of all research. It would be erroneous to say that the Agency's research projects often have little chance of success. Indeed, the Agency's policy is to initiate only those research projects that show the most promise to contribute directly or indirectly to highway safety. Since one of the fundamental elements of any research program is to test the effectiveness of many potential countermeasures, it is reasonable to expect that some of those tests will indicate that some countermeasures are more effective than others, and that some simply do not work. As a result of this relatively low-cost testing procedure, future full-scale efforts can be directed into those areas that are likely to be most productive. In the absence of the knowledge that certain techniques do not work, States and localities might easily invest large amounts of resources in programs which appear to be "reasonable and logical", but which in actual fact are ineffective. The research we conduct has been especially designed to test the most promising potential countermeasures.

The positive results, produced by NHTSA research, in changing road-user behavior and the bottom-line changes in accidents are indicative of the substantial value of this program. A few examples of such changes include the 50+% reduction in rear-end collisions produced by a high-mounted center taillight, a 15-21% reduction in accidents involving motorcyclists who completed a NHTSA-developed training course and testing procedure, a 77% reduction in ice-cream vendor accidents produced by a model ordinance, a 20% reduction in dart-out accidents produced by safe street crossing training and public information programs, and a 22% reduction in novice driver accidents produced by specially tailored driver manuals.

RESEARCH AND ANALYSIS ADMINISTRATION

Senator Chiles: Does NHTSA continue to have two separate offices conducting research? Which offices conduct NHTSA research? How are these activities coordinated?

Response: The division of function between NHTSA's Research and Development and Traffic Safety Program offices is clear and explicit. As we noted in our response to the GAO report, the Agency is critically aware of, and strongly supports the need to maintain the independence and the separation of its research and its programmatic organizations. Within the Research and Development organization in NHTSA, the Office of Driver and Pedestrian Research is solely responsible for the conduct of NHTSA research projects associated with human behavior. Traffic Safety Programs is responsible for conducting "demonstration projects," training programs, studies of existing administrative procedures, evaluation of in-place State and community highway safety programs, operation of the National Driver Register, the conduct of national and regional workshops and seminars, and the support of national safety organizations for program implementation.

Clearly, Traffic Safety Programs utilizes funds for a number of purposes, but none can be classified as research and development, in the sense of developing new knowledge or new countermeasures. It is designed to enhance the implementation of the most efficient and effective techniques which are within the current state-of-the-art.

Regarding coordination, Traffic Safety Programs works closely with the Office of Driver and Pedestrian Research on the development of the highway safety plan; concurrence between the two offices takes place on each specific research project. Also, individuals are designated as a "point of contact" for each of those projects to facilitate communication and ensure coordination on the research work.

While some sources outside the Agency have equated all contracting activity with research, such an assumption is erroneous. The Highway Safety Research, Development, Test, and Demonstration Program involves close cooperation between the research and program-implementation arms of the Agency, as well as between the Agency and outside user organizations. Accordingly, both the research and the program office functions are essential to the effective administration of this program.

RESEARCH AND ANALYSIS CONTRACTS

Senator Chiles: GAO noted that poor contract management exists and that in over 70% of research contracts sampled by GAO the contracts were extensively modified after they were let, and that about 60% of research contracts are let in the last month of the fiscal year. Why are so many contracts modified after they are let? What portion of contracts let in 1980 were signed during the last month of the year? What plans does NHTSA have to let these more evenly throughout the year, and to generally improve the management of the program?

Response: In research, modification of contracts is not necessarily an indicator of poor management. Quite the contrary, contract modifications are typically the result of knowledgeable and responsible contract managers reacting to the development of unanticipated findings, circumstances, or events in the course of the research. Because research involves exploration into new and unknown areas, it is seldom possible to specify the exact tasks or the exact amount of effort required to implement a specific research project. Frequently, research surfaces new data which indicates the need for changes in direction or additional effort. In such cases, rigid adherance to an "original" plan would be an inefficient -- and even wasteful -- use of resources. New and more effective products are frequently an outgrowth of such changes, making the results and products of the study more useful than they might otherwise be, and good management practices would dictate that changes be made. Often, therefore, contract modifications can and do yield better products, as well as save the government money and time. Clearly, such flexibility should be encouraged as being in the best interests of the government.

It must be pointed out that many modifications do not involve substantially increased costs and extended delivery dates. There are, however, some cases where modifications could be a reflection of a project taking longer to complete, or costing more than planned. A few of these discrepancies have resulted from less-than-optimal contract management or poor contractor performance. Because of our sensitivity to the need to minimize such occurences, we have given significant management attention to improving the review process and to the training of our contract management personnel.

Regarding the distribution of contracts evenly over time, a system now exists to provide better initial planning than in the past, and to spread contract awards throughout the year. A coordinated effort involving the research, program implementation, and contracts offices has now been in place for nearly six months, and we are pleased with the results. For FY 1980, $15 million in R&D contracts were awarded by February 1, 1980, representing more than a third of contract budget being awarded during the first third of the fiscal year. Approximately 28% were awarded during the last month of FY 1980.

SUBCOMMITTEE RECESS

Senator ANDREWS. Again, thank you for appearing and I appreciate your colleagues coming up. We have had quite a challenging hearing.

Ms. STEED. Thank you.

[Whereupon, at 10:45 a.m., Friday, March 27, the subcommittee was recessed, to reconvene Monday, March 30.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

MONDAY, MARCH 30, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:30 a.m. in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Abdnor.

DEPARTMENT OF TRANSPORTATION

STATEMENT OF DARRELL M. TRENT, DEPUTY SECRETARY

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. We will come to order.

This morning we are going to hear from the Department of Transportation and the Federal Aviation Administration. We have with us Deputy Secretary Darrell M. Trent and a group of his associates.

Secretary Trent, would you introduce your group and then proceed with your statement? As I understand it you have a summary of your full statement which will appear in the record in total, and then we will proceed with questions.

Mr. TRENT. Thank you very much, Senator.

INTRODUCTION OF WITNESSES AND PREPARED STATEMENT

Mr. Chairman, I have a number of people with me today from the FAA. I should start off, however, by introducing Judith T. Connor, who is the Assistant Secretary for Policy and International Affairs-Designate. The remainder of my associates are with the FAA. I will start with Walter S. Luffsey on the end to my left. Next is Charles E. Weithoner, who is the Acting Administrator of the FAA, and William A. Plissner is on my left.

On my right is James L. Bispo and Al Albrecht is on the end. Sitting behind us is Rick Reighard. Albert Randall is sitting next to him and Harvey Safeer is over on the right. He shifted on us. Next are Leonard Mudd, James Wilding, and Neil Blake. I believe that covers those who we would be asking to add to my testimony.

[The statement follows:]

STATEMENT OF DARRELL M. TRENT

Mr. Chairman and Members of the Committee, it is a great pleasure for me to be here before this Committee to provide a general policy overview on the FAA budget request. This request was revised, as you know, before a new FAA Administrator was nominated by the President, and I worked closely with the Secretary, our budget people, and FAA's able career staff in developing these revised estimates. As we proceed this morning I will call upon those with me from FAA's professional staff to assist in responding to your more specific questions.

Before discussing the fiscal year 1982 FAA budget proposals, I would like to outline our views regarding the future direction of the FAA, listing some of the issues that we will be considering over the next several years, and touching on those highlights of the current scene which impact more immediately on our requests.

FUTURE DIRECTION OF THE FAA

As aviation has grown in this country to its position of world leadership, the cost of the Government's role in both regulation and promotion of aviation has grown proportionately The investment has been a sound one with benefits throughout our mobile society and growing economy. A prime example, of course, has been overseas sales by U.S. aviation manufacturers who have made a major contribution to the Nation's balance of trade. The role of the Federal Aviation Administration has been, and continues to be, to insure that this growth occurs within the requirements of safety and -- more recently -- environmental and fuel efficiency considerations.

As aviation has grown, demand for FAA services -- from operating an air traffic control system to certificating airmen, airframes, engines and avionics, and promoting safer flights for our citizens traveling overseas -- have increased, and so too, has the cost of operating the FAA.

Now, however, it is timely to reevaluate our resources, to do better with what we have. FAA's management practices — and the people needed to perform them -- will receive our intense scrutiny in the months ahead. This will include not only a fresh review of how much our technical people are asked to handle, but also how much we ask of our managers and the value of what they produce. During this process, we will be asking questions such as, "Can we restructure our personnel component by reducing our regulatory requirements?" or even more important, "Can we reduce the regulatory requirement on our constituents?"

Although we anticipate breaking the link between growth in aviation activity and growth in the cost of operating the FAA to the largest extent possible, it is likely that aviation growth, and in the long run, safety and productivity, may require some improvement in existing technology, and deployment of new capital equipment. We find FAA well into exploring these technological and capital needs as the new Administration assumes its responsibilities; and among our primary commitments is that we will be objectively reviewing their needs and proposals to meet them, with all the technical competence at our disposal. If warranted, we are prepared to commit additional resources to the modernization and upgrading of the airspace system.

PROPOSED AIRPORT AND AIRWAY LEGISLATION

The last session of Congress considered House, Senate, and Carter Administration versions of proposed airport and airway improvement and revenue acts, but legislation was not enacted. President Reagan has submitted his proposal in the past week. Some of the more important features include introduction of the airport "block grant;" "de-federalization" of financially self-sufficient airports; re-balancing user contributions to match benefits; and financing about 85 percent of the FAA activities from the Airport and Airway Trust Fund. U.S. military and other Federal Government use of the system amounts to about 15 percent.

Some of these proposals represent a significant break with the past but this Administration firmly believes this is the time to restructure FAA programs and funding.

In particular, our concept of the Trust Fund is very closely linked with the President's overall program for economic recovery. When people, who benefit from particular Government services such as civil aviation, do not pay for these services, the general taxpayer has to pick up the tab. It is clear that one of the issues in which President Reagan has taken a strong personal interest is in the tax area and, in particular, the need to provide relief to the general taxpayer. Continued Federal subsidy of particular groups burdens the general taxpayer and our legislative proposal represents a clear break from the past practice of Trust Fund management and the need to develop a self-supporting system of civil aviation.

I will touch upon this again in alluding to particulars of the FY 1982 FAA budget request. But, at this point, let's turn to several areas of continuing concern which sets the stage for our budget deliberations.

THE SAFETY RECORD

First, I would like to address the safety record of U.S. aviation. On the whole, our Nation's aviation had a banner year in 1980. During the year, the Nation's flag, trunk, and local service airlines had a record low number of fatal accidents. There was only one fatal crash. In that accident, in which severe weather conditions were a factor, there were 13 fatalities. This is the lowest number of fatalities recorded in more than 20 years, and is dramatically below the level suffered in 1979. This year's record was achieved during a period when there was an airliner taking off in this country every six seconds.

The Nation's commuter airlines also had an improved safety record in 1980 -- there were 23 fatalities in six fatal accidents compared with 65 fatalities in 14 fatal accidents in 1979.

Preliminary figures for general aviation also showed a drop, although slight, for 1980. There were 677 fatal accidents during the year, resulting in 1,375 fatalities, compared with 682 fatal accidents and 1,382 fatalities in 1979. And this drop occurred as total general aviation hours flown increased by two percent.

Mr. Chairman, regardless of the past safety records, I assure everybody who uses the system or works in the aviation industry that FAA's first priority is and will remain safety. This goes for each FAA employee wherever he or she is located and regardless of his or her job. Our goal is an accident- free system.

SAFETY IMPROVEMENTS AT COMMUTER AIRPORTS

This budget requests funding to begin a multi-year program to provide improved facilities at 127 commuter airports in the United States. The program will provide more reliable service and increased protection for passengers using commuter service. The commuter airport program will assist in upgrading the performance level of commuter airlines, which have captured an increasing share of the inter-city air travel market following the Airline Deregulation Act of 1978.

The proposed facilities include precision approach aids and other landing aids including visual approach slope indicators and runway identifier lights.

CIVIL AVIATION SECURITY

Unfortunately, 1980's security record did not match that of safety. There were 21 U.S. air carrier hijackings, which is more than any year since 1972. Fourteen were perpetrated by refugees who entered the United States earlier in the year. To combat this upsurge, additional security measures were instituted. Coupled with the immediate return by the Cuban Government of two men who hijacked an aircraft to Cuba on September 17, the additional security measures instituted seem to have brought hijackings to Cuba under control.

A new regulation, FAR Part 108, will become effective after our review. It establishes security requirements for commuter airlines, and provides for multi-levels of security by operators now flying the same routes and aircraft types previously served by air carriers, and are consistent with the intent of the Deregulation Act of 1978.

CONTAINING REGULATORY COST

FAA's regulations are safety, not economic based. Nonetheless, they must consider economic implications. Since Executive Order Number 12044 was issued on March 23, 1978, this agency has prepared analyses of major alternatives to proposed regulations, the economic consequences of each, and the rationale for choosing one over another.

On February 19, 1981, President Reagan issued a more stringent Executive Order Number 12291 requiring analyses that: (1) describe and quantify the potential benefits and beneficiaries of a new rule; (2) describe and quantify potential costs and other adverse effects; (3) determine the net benefits (or costs), as well as evaluate the nonquantifiable effects; and (4) describe more cost beneficial alternatives, and reasons why they cannot or should not be adopted. We intend to scrutinize the cost of rules more comprehensively than ever before.

AIRCRAFT CERTIFICATION AND LEAD REGION PROGRAMS

Certification of aircraft is one of our most important areas of regulation, and in October 1979, FAA announced its Aircraft Certification and Lead Region Programs, which are now underway.

The lead regions' purpose is to take over some of the staff functions formerly performed in Washington. There are currently five lead regions.

The certification region's purpose is to provide a pool of specialized technical expertise at specific locations mostly in proximity to concentrations of specialized aeronautical industries. It is our desire to establish greater standardization and control over the certification process and thereby provide more effective services. The certification and lead regions were chosen on the basis of expertise gained in certificating particular types of aeronautical products such as aircraft engines or small general aviation aircraft.

AVIATION FORECAST

Mr. Chairman, since this budget is so heavily influenced by aviation activity and the forecast for the coming year, FAA always highlights its most recent projections for the Committee. Most importantly, the requirements for air traffic controllers are generated by a staffing standard that depends on three major workload indicators: (1) total tower operations; (2) instrument operations at approach control facilities; and (3) Instrument Flight Rules (IFR) aircraft handled at the en route centers.

Over the last decade FAA has been particularly proud of the increasing accuracy in these forecasts. This year we come to you with some significant changes from last year's published forecasts for the then current year (FY 1980), and those estimated for FY 1981, and 1982. They represent a downward adjustment to our 1979 aviation activity forecast statistics that served as a basis for developing our FY 1981 controller staffing requirements almost two years ago.

Essentially, higher-than-expected fuel prices and the failure of the economy to rebound in the last quarter of 1980 resulted in less than expected levels of aviation activity. Based upon the levels of economic activity resulting from the Adminis- tration's economic recovery program, we are developing a revised set of aviation forecasts.

Instrument operations handled at FAA terminal facilities totaled 38.2 million in 1980, 0.5 million less than previously forecast. They are forecast now to increase to 40.7 million in 1981 and 42.0 million in 1982 -- about 1.7 million less than we estimated a year ago. Similarly, there were 66.2 million total operations at FAA terminal facilities in FY 1980, some 2.4 million less than forecast last year -- and almost three million below the 1979 total. We are forecasting even greater reductions from last year's estimates for FY 1981 and 1982. Operations at towered airports are expected to decline further in FY 1981 to 62.7 million, and show a slight recovery in FY 1982 to about 63.4 million. That is almost ten million lower for 1981 and 13 million lower for 1982 than had been forecast at this time last year.

IFR aircraft handled at FAA's en route centers came in at the 30.1 million predicted for 1980 but we are now expecting 30.2 million for 1981 and 31.2 million for 1982, or 1.2 million less for each year than we expected at this time last year.

The same pattern of lower activity applies to flight services where the 1980 total was 64.3 million compared to the 65.4 million that had been forecast. Our current forecast is 60.3 million for FY 1981 and 60.5 million for FY 1982, down from 68.3 million and 72.4 million, respectively. These more modest indicators of aviation growth are reflected in the decision to pause in the rate of hiring new air traffic control personnel, as shown by this budget.

BUDGET LEVELS

As I mentioned earlier, now is the time to reevaluate our resources, methods, and procedures, and FAA's amended fiscal year 1982 budget is a step in that direction. The spending requested for FAA activities in this budget is an integral part of the Administration's economic revitalization program. This is the beginning of an era of restraint for the FAA...restraint in employment and restraint in administration. It neither establishes nor continues any marginal programs. It does not propose new facilities which do not meet established criteria in anticipation of future growth. But, throughout our deliberations leading to the revised FAA requests, our guiding principle was safety well before economy. And, although this is a budget of restraint, it maintains levels in two areas that are absolutely vital to aviation safety and efficiency. They are: Research and Development; and Capital Equipment improvements.

FISCAL YEAR 1982 REQUEST FOR APPROPRIATIONS

The fiscal year 1982 budget estimate requests budget authority of $3,367 million and 53,532 direct full-time permanent positions. This represents an increase of $75 million over the President's amended fiscal year 1981 request and a decrease of 539 in staffing. We have cut 2,872 positions and over $476 million in budget authority from the FY 1982 budget submitted in January. In FY 1981, 2,141 positions will be dropped and these and other savings applied to reduce the supplemental appropriation for gas and oil by $7 million and the pay raise supplemental appropriation by $12 million.

OPERATIONS APPROPRIATION

The Operations Appropriation request totals $2,418 million, of which $1,950 million would be financed from the Airport and Airway Trust Fund, and provides for a workforce of 50,911. This is an increase of $78 million and a decrease of 517 in staff over fiscal year 1981. This funding increase is a net after applying payroll and other savings, and is required for mandatory adjustments such as within-grade salary increases, grade-to-grade promotions, price increases, and the full-year cost of the October 1980 pay raise. The decrease in positions is in keeping with the adjusted aviation forecast.

OPERATION AND MAINTENANCE METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

The operation and maintenance of Washington National and Dulles International Airports will require $30.6 million. This represents an increase in funding of $1.4 million. The staff levels have been reduced a net of 52 from FY 1980. In FY 1981, the level was reduced by 75 and for FY 1982 it has been increased by 23. In FY 1982, support responsibilities will be transferred from FAA Headquarters to the Airports.

Washington National is expected to produce an operating profit of $13.7 million and Dulles International an operating loss of $2.9 million, resulting in a combined operating profit of $10.8 million. The deduction of $6.7 million in depreciation and interest for the two airports results in a net operating profit of $4.1 million. Funds collected from system users are deposited in the Treasury for general Government applications.

CONSTRUCTION, METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

The budget estimate of $39.5 million will provide the funds needed to construct an extended runway safety area at Washington National and the connection of the Dulles access highway to Interstate Highway 66. We are requesting $29.8 million to finance the final increment of this highway construction project.

AIRPORT AND AIRWAY TRUST FUND

During 1981, aviation user tax revenue is credited to the General Fund because authority to transfer these revenues to the Trust Fund was not extended by Congress. This budget projects reestablishing this authority to transfer tax revenues to the Trust Fund. We are anticipating the first cash receipts in October 1981. We estimate the Trust Fund will have an unappropriated balance of $3.6 billion at the beginning of fiscal year 1982, and that tax revenue during the year will be $2.2 billion. This amount assumes replacing the present aviation fuel tax by a stepped increase in general aviation fuel tax effective July 1, 1981. Adding interest on investment, total revenues are estimated to equal $2.6 billion. Requested appropriations of $2.9 billion will leave an estimated unappropriated balance of $3.3 billion at the end of fiscal year 1982. Of this amount, $0.7 billion is committed by law for future liquidation, thus leaving $2.6 billion to be used in subsequent years.

GRANTS-IN-AID FOR AIRPORTS (AIRPORT AND AIRWAY TRUST FUND)

The Airport and Airway Trust Fund Act of 1970 (as amended) authorized a program of grants for airport system planning, airport master planning, and airport development in the 50 States and Territories. This budget assumes that legislation will be enacted to modify and reauthorize these grant programs through fiscal year 1986. It proposes $450.0 million in contract authority for airport planning and development grants in fiscal year 1982. This level would satisfy basic entitlements for primary airports, States and Territories, and for discretionary funds. A liquidating cash appropriation of $481.0 million is requested to ensure that sufficient Trust Fund cash will be available to pay obligations from prior years, as well as for those expected to be incurred during fiscal year 1982. It assumes that the legislation ultimately enacted does not alter historic patterns of expenditure timing.

FACILITIES AND EQUIPMENT
(AIRPORT AND AIRWAY TRUST FUND)

Our request of $353.7 million in new programs for FY 1982 represents the amount necessary to continue increasing the safety, capacity, and efficiency of the Nation's airspace system. The new programs will be financed from $323.7 million in new budget authority and $30.0 million from funds appropriated in FY 1981.

One of the most significant features of this appropriation is its request for the FSS modernization program. Funding in the amount of $49.8 million would continue the program to automate Flight Service Stations and initiate a multi-year program to modify, expand, or -- where necessary -- to construct buildings at selected airports having significant general aviation activity. When implemented, this program will provide a modern network of automated Flight Service Stations. They will meet the demands projected through 1995 without a corresponding increase in staffing, and provide better service and safety for general aviation pilots. If we are to relieve the tax burden on users of the national air transportation system, we must make maximum use of technology to avoid personnel increases and attendant cost.

A companion program for additional enhancements of Flight Service Station automation is underway with research funds. This program will provide automated self-briefing, which means increased productivity and personnel savings. This development is presently programmed to be available for production in 1984.

Included also under this appropriation request are major efforts to (1) replace tubetype and other obsolete equipment with modern solid-state technology for increased reliability and maintenance efficiency, (2) replace the Weather Message Switching Center computer, and colocate its functions and the National Flight Data Center computer functions with National Data Interchange Switching Center functions, and (3) fund the first year of a program to enhance the Direct Access Radar Channel (DARC) backup for the en route computer system. There is a sizeable effort to establish, expand, and improve existing long-range radar systems. Also included are funds to provide additional instrument landing systems and other landing aids including specific programs for satellite and commuter airports. Finally, funds requested will replace, relocate, modernize, and improve air route traffic control centers, communications facilities, and terminal radar and automation systems, as well as establish and relocate airport traffic control towers and radar approach control facilities.

RESEARCH, ENGINEERING AND DEVELOPMENT
(AIRPORT AND AIRWAY TRUST FUND)

The request of $104.8 million for this appropriation provides for continued development of air traffic control and navigation systems to meet future demands for increased safety, capacity, and productivity.

Let me depart from our budget outline here to discuss briefly FAA's response to the recommendations made by the Appropriations Committee last year on the existing En Route Air Traffic Control Computer System. We have reviewed those recommendations in some depth and last week transmitted to you the first of this Administration's communications on this matter. I will mention here the actions FAA has already initiated in the Fall of 1980 -- actions we have been reviewing as a matter of top priority.

First, in December 1980, the Associate Administrator for Air Traffic and Airway Facilities convened Air Traffic and Airway Facilities chiefs from all Centers for a two-week review and self-inspection of the operation of the present en route automation system. This review resulted in identifying 11 actions to improve the current en route system. He is here today and is prepared to discuss them in further detail. Secondly, in response to concerns about capacity of the existing en route automation system, FAA is conducting a continuing program to improve software efficiency as well as to identify nonessential functions and tasks which may be eliminated from the system. FAA expects that these actions will significantly reduce computer capacity requirements. In addition, FAA and industry experts are in the process of examining feasibility, costs, and benefits of selected alternatives for achieving better utilization of computer capacity and improving the capability of the backup system. And, thirdly, a new long-range planning process was begun. To facilitate this task, FAA consolidated two offices into a new Office of Policy and Plans to strengthen internal coordination between policy and planning.

The Research, Engineering and Development (Airport and Airway Trust Fund) Appropriation request also includes funding to: (1) develop advance functional capabilities for the present Automated Radar Terminal System (ARTS III); (2) continue exploratory work on reducing the threat of mid-air collisions through an independent Beacon Collision Avoidance System (BCAS); (3) develop approaches to an improved and modernized system for acquiring, processing, and disseminating aviation weather information; and (4) evaluate future navigation systems being considered under the Federal Radio Navigation Plan. Incorporated for the first time are aircraft safety, environmental, and medical research activities associated with FAA's regulatory responsibilities and formerly carried in the "Facilities, Engineering, and Development (General Fund)" account. This last change is consistent with our legislative proposal to use the Trust Fund for these activities.

AVIATION LOAN GUARANTEES

As for the program for aircraft loan guarantees instituted as part of the Airline Deregulation Act of 1978, we are requesting a $100 million limitation for new commitments to guarantee loans to be used exclusively for the purchase of aircraft designed to have a maximum passenger capacity of 60 seats or less, or a maximum payload of 18,000 pounds or less. This proposal will better target these guarantees to the area of need, and will contribute to the President's program by holding this extension of credit to a reasonable limitation.

This concludes my statement, Mr. Chairman, on behalf of the Federal Aviation Administration. The Secretary and I greatly appreciate your accommodating us in our substitution of witnesses for FAA's first day. We also wish to commend to you most highly Mr. Lynn Helms who has already demonstrated to us that he is an excellent Administrator and one who will be working closely and conscientiously with this Committee.

Thank you.

AVIATION GROWTH

Mr. TRENT. Mr. Chairman, I am pleased to appear before you today to discuss the fiscal year 1982 budget request for the Federal Aviation Administration. This request was revised before a new FAA administrator was nominated by the President, and I have worked closely with the Secretary and the FAA in developing these revised estimates. With your permission, I will submit a more comprehensive statement for the record, but I want to address a few of the major areas.

As aviation has grown in this country to its position of world leadership, the cost of the Federal Government's role in both regulation and promotion of aviation has grown proportionately. The investment has been a sound one with benefits throughout our mobile society and growing economy. The role of the Federal Aviation Administration has been and continues to be to insure that this growth occurs within the requirements of safety and more recently—environmental and fuel efficiency considerations. Now, however, it is time to reevaluate our resources to do better with what we have.

Although we anticipate breaking the link between growth in aviation activity and the growth in the cost of operating the FAA, to the largest extent possible it is likely that aviation growth and, in the long run, safety and productivity may require some improvement in existing technology and deployment of capital equipment.

TRUST FUND

The last session of Congress considered several versions of proposed legislation to continue the Airport and Airway System Improvement and Revenue Acts. Legislation was not enacted, but President Reagan has now submitted his proposal to the Congress. Some of the features represent a significant departure from the past, and the administration firmly believes that this is the appropriate time to restructure FAA programs and the activities financed from the trust fund.

Some of the important features include introduction of the airport block grant; defederalization of financially self-sufficient airports; rebalancing user considerations to match benefits received from the national airspace system; and financing most FAA activities—about 85 percent—from the trust fund.

This proposal is in keeping with President Reagan's concern that relief must be provided for the taxpayer. Continued Federal subsidy of particular groups burdens the taxpayer, and our legislation calls for a clear break from the past practice of trust fund management in recognizing the need to develop a self-supporting system of civil aviation which will complement the President's overall economic and tax programs.

AVIATION SAFETY

FAA's primary mission and our primary concern is aviation safety. The safety record for 1980 is outstanding. The Nation's flag, trunk, and local service airlines had the lowest number of fatalities in more than 20 years. This record takes on additional significance when we consider that last year there was an air carrier aircraft taking off in this country every 6 seconds. Similar reductions in fatalities occurred with the commuters, and there was a slight drop for general aviation also.

We want to assure this committee, the aviation industry, and the system users that our goal is an accident-free system and this is what we shall be working toward.

ACTIVITY FORECASTS

Over the past decade FAA has been particularly proud of the accuracy of its aviation activity forecasts. This year we come to you with some significant changes from the predictions made last year. Due to high fuel costs and a dampened economy, we now envision more modest growth levels. These changes are reflected in the revised budget before you, particularly in the rate of hiring new air traffic controller personnel.

I would like to take a few minutes to report on the status of several major programs.

SECURITY

Unfortunately 1980's security record did not match that of safety, as there were 21 U.S. air carrier hijackings, more than any year since 1972. The adoption of additional security measures coupled with the immediate return by the Cuban Government of two men who hijacked an aircraft to Cuba on September 17 seemed to have brought hijacking to Cuba under control. Another FAA security-related action is our promulgation of a new regulation, about to become effective, which will establish security requirements for commuter airlines.

LEAD REGION CONCEPT

The aircraft certification lead region program established in 1979, continues with the goal to provide greater effectiveness and accountability in airworthiness standards for civil aviation products. Five lead regions have been selected and are gearing up to provide the expertise needed to meet this goal.

FSS MODERNIZATION

The flight service station modernization program is on track and the fiscal year 1982 budget contains initial funding for facilities at some of the airports chosen in our plan for locating stations at 61 airports.

COMPUTER REPLACEMENT

With regard to recommendations made by the Appropriations Committee last year on the en route air traffic control computer system, we have reviewed them in some depth and last week, as you know, transmitted to you the first of the administration's comments on this matter. Our report finds a number of recommendations valid and indicates that the FAA has initiated various measures to implement these recommendations. I am confident the new Administrator will give the highest priority to assuring that a well-planned and properly executed computer replacement program is undertaken.

As I mentioned earlier, now is the time for reevaluating our resources, methods, and procedures, and FAA's amended fiscal year 1982 budget is a step in that direction. The revised spending requests for the FAA activities are an integral part of the administration's economic revitalization program. This is the beginning of an era of careful restraint for the FAA—restraint in employment and restraint in administration. This budget request neither establishes nor continues any marginal programs. But you have my assurance that throughout the deliberations leading to the revised FAA requests our guiding principle was safety well before economy.

BUDGET REQUEST

The FAA budget request before you provides $3,366 million and 53,532 permanent full-time positions. This is a reduction of 2,872 positions and $476 million from the fiscal year 1982 estimate submitted to you in January. And compared to the President's revised 1981 request, it is an increase of $75 million and a decrease of 539 in staffing. In fiscal year 1981, 2,141 positions will be dropped, and these plus other savings will be applied to reduce earlier supplemental appropriation requests to finance increased gas and oil costs and increased pay costs.

The differences between the 1981–82 FAA requests submitted to you by the last administration and those before you now are attributed to revised traffic forecasts and the hard look we have given the initial request from the point of view of a new administration reshaping priorities, guided by the important principle of reducing Federal spending wherever it can be done without reducing aviation safety.

PROPOSED LEGISLATION

The budget assumes that enabling legislation will be enacted to modify and reauthorize grant programs through fiscal year 1986. It contains facilities establishment funds to assist in enhancing safety, capacity, and efficiency of the Nation's airspace system and it provides necessary research resources for continued development to meet future system demands. It also provides for the aircraft loan guarantee program in accord with the proposed legislation.

METROPOLITAN WASHINGTON AIRPORTS

For the Metropolitan Washington airports we anticipate a net profit of about $10.8 million. In addition, the construction account for the airports contains $29.8 million to complete the Dulles access highway to Interstate 66. Finally, the budget contains the resources needed to continue the operation and maintenance of the national airspace system including regulatory functions at close to ongoing levels.

This concludes my statement, Mr. Chairman. The Secretary and I greatly appreciate your accommodating us in our substitution of witnesses. We also wish to commend to you most highly Mr. Lynn Helms who has already demonstrated that he is an excellent Administrator and one who will be working closely and conscientiously with this committee to identify the direction and set the goals and operating standards for the FAA.

Senator ANDREWS. Thank you, Mr. Secretary.

AVIATION SAFETY

I am sure that many of you saw the "60 Minutes" television show last night on aviation and the FAA. Mr. Secretary, what is the response to the accusation that the FAA's empire building is jeopardizing the lives of the traveling public?

Mr. TRENT. Mr. Chairman, unfortunately I was traveling last night and did not get a chance to see "60 Minutes," but I do look forward to seeing the tape later today. I do wish to say, however, that during these last 2 months in office in the Department of Transportation, Secretary Lewis and I have worked very closely with the FAA. And during that time we have had an opportunity to review in some detail the programs that are being considered in the FAA's fiscal year 1982 budget which, as I have said, was revised with safety as our guiding principle. One of the reasons that we were quite pleased to find a man of Mr. Lynn Helms' capabilities and background to serve as the next FAA Administrator is that his strong technical expertise and knowledge in this technical field supplements the knowledge and experience of the Secretary and myself.

I think that the review that we have established to look in detail at the whole revitalization of the air traffic control program, a study on which I look forward to working closely with Mr. Helms, will give us a better basis for coming before you to discuss the future and how we'll be meeting its safety challenges.

BEACON COLLISION AVOIDANCE

Senator ANDREWS. How much does your budget request include for the beacon collision avoidance system? How much do you have for those specific programs which were shown on the television show?

Mr. TRENT. I would like to refer to Bill Plissner on that.

Mr. PLISSNER. Mr. Chairman, there is no procurement money in the budget for those systems at this point in time. There is a funding estimate for some of the ongoing development work, and Mr. Albrecht I think will be able to speak best on that.

Senator ANDREWS. Would you provide a dollar breakdown by activity or project showing the purpose of each?

Mr. ALBRECHT. Yes, Mr. Chairman, we can do that for the record.

[The information follows:]

BREAKDOWN OF ACAS AND ACTIVE BCAS

The two systems shown on the "60 Minutes" program were ACAS and Active BCAS. Our funding for these systems are:

	Fiscal year 1980 and past year	Fiscal year 1981	Fiscal year 1982	Cost to complete
ACAS	$11,400,000			$11,400,000
BCAS	16,000,000	$2,800,000	$2,300,000	2,400,000

ACAS did not meet our operational requirements and no development action is being conducted on it.

Active BCAS operates by interrogating the transponders in other aircraft in the same manner as does a ground radar interrogator. Information relating to range, range rate, altitude, and altitude rate of proximate aircraft is derived from the replies to these interrogations. When the onboard active BCAS computer recognizes the existence of a threat, the logic generates a resolution command and delivers it to the BCAS display. The bearing of the threatening aircraft is not measured, and hence only vertical maneuver instructions and vertical speed limits are issued. This is due to the lack of suitable directional antennas for airborne applications with sufficient accuracy on which to base horizontal commands.

As a later enhancement the FAA is pursuing a development directed toward including within active BCAS a moderately accurate directional antenna capable of supporting a display of adjacent traffic. A further possibility might be to add some level of service against mode A only equipped aircraft.

Senator ANDREWS. Can you show us specifically what you expect to have accomplished and how soon?

Mr. ALBRECHT. We can show performance to date and our objectives for this fiscal year.

[The information follows:]

The engineering models of the active BCAS have been flown over much of the country and the preliminary data indicates that system operation has exceeded our expectation. The false alarm rates have been extremely low, the tracking of threat aircraft has been very good, and the system has operated in denser traffic environments than expected. A contract award has been made for the development of commercial units and these will be delivered this year. We plan to install these units on air carrier aircraft for operational evaluation.

In fiscal year 1982 we plan to complete the evaluation of commercial-type active BCAS units installed in air carrier aircraft. Also, we will initiate the evaluation of the general aviation active BCAS models and issue the final national standard for active BCAS. Development of the full BCAS system is continuing. A competitive design study initiated this year for full BCAS will be completed in fiscal year 1982. In fiscal year 1982, fabrication of engineering models will result in delivery of these models early in 1983.

Senator ANDREWS. We want you to include some of the things in this analysis for the record that you may not have in your budget, in other words specifically the BCAS and the DABS, and the ATAR. You may not have those in your budget and you don't have a piece of equipment or a technological program in your budget.

Spell out for us if you could in the record what would be expected to be accomplished by that type of program and what the effect would be of delaying the work for 1 year. Obviously in some cases you have to delay the work for 1 year and in other cases there is an alternative. There is a choice.

[The information follows:]

PROGRAM DESCRIPTIONS

Discrete address beacon system (DABS) will provide significant improvements to the existing ATC beacon system necessary to meet the demand of the increasing numbers of aircraft in both the terminal and en route areas. DABS will provide a discrete address for each equipped aircraft which will solve "synchronous garble." This continuing problem for the ATC system is so severe that tracking aircraft in a holding stack is impossible. DABS will provide improved accuracy and reduced interference in surveillance of aircraft. It will also provide an air-ground-air data link capability as a supplement to voice transmissions as well as provide new services for improved safety and productivity. The automatic traffic advisory and resolution element of the separation assurance program also uses the surveillance data from the DABS for traffic advisories and resolution services.

Automatic traffic advisory and resolution service (ATARS) will provide a traffic advisory service and a resolution service for both IFR and VFR aircraft. For VFR aircraft, the traffic advisory service is expected to enhance the pilots' see-and-avoid capability by providing the advisories automatically, rather than on request. The resolution service will provide collision avoidance services not previously supplied to VFR aircraft. For IFR aircraft, the advisories and the resolutions will serve as as a backup to the ATC system. The ATARS uses the surveillance data from the DABS sensors, and computes traffic advisories and resolution commands in a dedicated ground computer system. These advisories are delivered to the aircraft via the DABS data link.

Active BCAS will provide protection against aircraft equipped with the current altitude-encoding transponder, and against those equipped with the future DABS transponder, also with altitude encoding. For encounters between two or more aircraft with BCAS equipment, it is essential that the maneuver instructions provided to the pilot of each aircraft be coordinated, to prevent a BCAS-caused disaster. This BCAS-to-BCAS coordination is built into the logic and is accomplished via the BCAS air-to-air data link capability using a standardized DABS message structure.

Full BCAS is a multimodal collision avoidance system designed to use several different means to track proximate aircraft. While full BCAS actively interrogates other aircraft in some situations, as does the active BCAS, the principal advantages of the full BCAS lie in its passive modes and combinations of passive and active modes. There are several passive modes because of the many distinguishable configurations of ground and airborne equipment in which full BCAS must operate. The use of the passive modes when possible, improves tracking accuracy and eliminates the inteference to which the ground surveillance would otherwise be subjected. Active interrogations supplement the passive modes in areas where the numbers and geometric arrangement of ground interrogators are not adequate to provide reliable aircraft tracks. In several of its modes, full BCAS is able to derive accurate bearing information on intruding aircraft. Thus, it is capable of providing traffic advisories conveying intruder range, altitude, and bearing, and is able to generate horizontal as well as vertical commands.

Delay of the program for 1 year would delay the provision of the safety benefits by these elements of the aircraft separation assurance program.

Mr. ALBRECHT. This budget does fully support the research and development work for DABS, ATARS, and BCAS work because that is very high on our priority list.

Senator ANDREWS. So the new administration is high on these types of programs and making sure that they are moved into the system as soon as they are proved effective.

Mr. ALBRECHT. That is true, again subject to review by the new administration.

Senator ANDREWS. Is this an initiative of the former administration coming along? Or is this an initiative of the new administration? Or is this an initiative that has been stepped up or has there been any change in it?

Mr. ALBRECHT. There has been no change, Mr. Chairman.

The former administration did support the safety-related issues and we expect the new administration will give us their guidance, but these programs are supported in the budget.

Senator ANDREWS. The thrust of the "60 Minutes" program then would be answered by saying that both the Carter administration and the Reagan administration are bringing these programs along as rapidly as is scientifically possible. Is that essentially true?

Mr. ALBRECHT. That is essentially true. There has been no holdup because of funding limitations on these programs.

Senator ANDREWS. There has been no holdup in the last 2 or 3 years and you may anticipate no holdup?

Mr. ALBRECHT. That is right. We are proceeding as fast as we can within the technology that is available.

Senator ANDREWS. Then where did they get this information they put on "60 Minutes" to scare us?

Mr. ALBRECHT. Mr. Chairman, I think that was unfortunate in terms of the impression they left. That investigation lasted for some 4 months and there were two or three people that were identified as being in favor of the so-called ACAS system. The decision that was made by the FAA to proceed with the ACAS development was reviewed thoroughly by the community in 1976.

It has been the subject of a large number of congressional hearings which we would document for the record. It was reviewed again through something called the new initiatives program which involved the total aviation community to examine the program and the way we were going Mr. Harkin and his House subcommittee examined this issue in depth in 1979.

Again in each case the conclusion has been the FAA is proceeding in the correct direction. So I think the impression that was left last night was unfortunate and does not really represent the facts as they exist.

[The information follows:]

CONGRESSIONAL HEARINGS COVERING COLLISION AVOIDANCE

FAA R&D Oversight Hearing on FY-1977 Budget	2/17/76	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FY-1977 Appropriations	3/15/76	House Appropriations Committee, Subcommittee on Transportation
FY-1977 Appropriations	3/31/76	Senate Appropriations Committee, Subcommittee on Transportation
Near Midair Collisions between Military and Civilian Aircraft	4/01/76	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FAA R&D Oversight Hearing Review of Programs	9/21/76	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FAA R&D Oversight Hearing on FY-1978 Budget	2/22/77	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FY-1978 Appropriations	3/22/77	House Appropriations Committee, Subcommittee on Transportation
FY-1978 Appropriations	3/28/77	Senate Appropriations Committee, Subcommittee on Transportation
Needs and Opportunities in the Air Traffic Control System	6/08/77	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FAA R&D Oversight Hearing Review of Programs	9/27/77	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FAA R&D Oversight Hearing on FY-1979 Budget	2/15/78	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FY-1979 Appropriations	3/06/78	House Appropriations Committee, Subcommittee on Transportation

FY-1979 Appropriations	4/19/78	Senate Appropriations Committee, Subcommittee on Transportation
FSS Modernization/MLS Development (Field Hearing, California)	8/24/78	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
FAA R&D Oversight Hearing Review of Programs	9/21/78	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Weather
Operation of Large Aircraft at Miami	9/28/78	House Committee on Government Operations, Subcommittee on Government Activities and Transportation
San Diego Crash	10/27/78	Senate and House Subcommittee on Aviation San Diego, California
FAA's Aircraft Separation	12/7-8/78	House Committee on Government Operations, Subcommittee on Government Activities and Transportation
FAA R&D Oversight Hearing on FY-1980 Budget	2/20/79	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Communications
FY-1980 Appropriations	3/27/79	House Appropriations Committee, Subcommittee on Transportation
FY-1980 Appropriations	5/10/79	Senate Appropriations Committee, Subcommittee on Transportation
Aircraft Separation Assurance/Collision Avoidance Systems	6/27/79	House Science and Technology Committee, Subcommittee on Transportation, Aviation, and Communications
Aircraft Separation Assurance/Collision Avoidance Systems	7/24/79	House Science and Technology Committee, Subcommittee on Transportation, Aviation, and Communications
FAA R&D Oversight Hearing Review of Programs	9/25/79	House Science and Technology Committee, Subcommittee on Transportation, Aviation, and Communications
Radar Interruptions	12/11/79	House Committee on Public Works and Transportation

FAA R&D Oversight Hearing on FY-1981 Budget	2/19/80	House Science and Technology Committee, Subcommittee on Transportation, Aviation, and Communications
FY-1981 Appropriations	3/11-14/80	House Committee on Appropriations, Subcommittee on Transportation
FY-1981 Appropriations	4/02/80	Senate Committee on Appropriations, Subcommittee on Transportation
FAA R&D Oversight Hearing Review of Programs	9/18/80	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Communication
FAA R&D Oversight Hearing on FY-1982 Budget	2/17/81	House Science and Technology Committee, Subcommittee on Transportation, Aviation and Materials

COMMISSIONING OF NEW FACILITIES

Senator ANDREWS. You and your people have seen the program last night and you have reports on the program?

Mr. ALBRECHT. I saw the program and our people saw the program.

Senator ANDREWS. Approximately how many new facilities has the FAA commissioned in the last 5 years?

Mr. BISPO. May I provide that for the record? I am afraid I don't have that with me.

Senator ANDREWS. All right.

How much have you reduced employment over the same period? Can you provide that for the record too? Do you have the decrease in employment?

Mr. PLISSNER. Yes, sir; I can provide that.

Senator ANDREWS. Let's get back to the first question. Can you make a roundhouse guess at how many facilities? Just give me a figure off the top of your head.

Mr. BISPO. On the order of 475 to 500 per year.

Senator ANDREWS. So you have commissioned in the neighborhood of 500 new facilities each year for the last 5 years. That will give you some 2,000 new facilities.

By how much have you reduced employment over the same period?

Mr. PLISSNER. Mr. Chairman, the actual employment in FAA at the end of 1977 was 55,764. We have projected our employment at the end of this budget at 51,255 on September 30, 1982, or a reduction of 4,500 people on board. The permanent position numbers are about comparably reduced during that period.

RESULTS OF DECREASED EMPLOYMENT

Senator ANDREWS. So you have reduced 4,500 people and increased 2,000 facilities. Has this resulted in a decrease in aviation safety?

Mr. TRENT. Mr. Chairman, as I understand it, this 1980 safety record, as I mentioned in my earlier statement, was actually the best since the early 1930's. I think the commitment that has been made to equipment, to adding higher technology in the air traffic control system and bringing up new systems has all contributed to this reduction in accidents and improvement in safety.

When one looks at the technical innovations, it is possible that the electronics and the type of programing that we are bringing in through the software and review of different programs that look to the 1980's to be ready to deal with the increased traffic load in the 1990's, we will see a continuing increase in reliance on high technology and new systems that will reduce personnel requirement.

Senator ANDREWS. Your budget projects an additional 559 positions in fiscal year 1982. What you are saying is the technology that you have oncoming will allow those reductions in personnel without compromising aviation safety?

Mr. TRENT. That is correct, Mr. Chairman.

Senator ANDREWS. And you look at that trend in reduction in personnel to be able to continue if in fact you can get new software on station?

Mr. TRENT. It is very important that we have an ongoing evaluation of the safety requirements and program needs of the FAA, and I think you have to look each year at what has been brought on-line and the kind of innovation that has been possible.

We do not want to lose sight of the primary mission of safety, yet we hope this 1981–82 trend of reduced employment will continue as better systems are brought on line.

PATCO NEGOTIATIONS

Senator ANDREWS. Your labor contract with PATCO expired on March 14. What are the topics under negotiation? What is the prospect of an early settlement?

Mr. TRENT. The existing contract with PATCO is such that its provisions continue in force until a new contract is completed.

I do think, however, that given the sensitivity of negotiations I would prefer not to go into detail on what is being discussed as a part of those negotiations. The direction that we are taking is to make sure that the interests and needs of the air traffic controllers are considered while the budget and other constraints in the FAA are also recognized.

Senator ANDREWS. But the thrust of the question is to assure the committee that you are actively conducting these negotiations. You are not sitting back in relaxed posture hoping that everything will turn out all right.

Mr. TRENT. That is correct, Mr. Chairman. In fact, there is at the FAA level as well as at the Secretary's and my level a real interest in making sure that a thorough understanding of the issues is a part of these negotiating processes. And we will continue to watch and monitor very closely the results of these discussions.

CONTINGENCY PLAN

Senator ANDREWS. What is your contingency plan in the event of a strike?

Mr. TRENT. A contingency plan has been developed and published in the Federal Register. The plan was originally submitted in November to the Federal Register, and we have received comments on that plan. Revisions have been made commensurate with some of the recommendations and comments that were submitted. We have a continuing evaluation of the effectiveness of that plan, insuring its usefulness if it needs to be implemented. However, we hope that it will be possible to work something out at the bargaining table and that it will not be necessary to use the plan.

Senator ANDREWS. What percent of current services can be provided by supervisory personnel? And what would be your priorities in the handling of air traffic legislation?

Mr. TRENT. The level of service will be very much reduced. We can go into detail as to the plans that have been submitted, and will be glad to have Jim Bispo do that.

Mr. BISPO. Let's talk about the priorities first. Military operations and emergency flights will have first priority. We will provide preference to long-range flights, those over 500 miles. The notion behind that is that trips less than that can be handled via other modes if it came to that. Then flights under 500 miles will be last priority.

We expect to be able to accommodate most of the flights over 500 miles with destinations in the United States and all international flights. We expect to be able to accommodate something over 5,000 other air carrier and air taxi flights of less than 500 miles each day.

AIRCRAFT LOAN GUARANTEE PROGRAM

Senator ANDREWS. On another subject, the aircraft loan guarantee program was designed to assist carriers providing service to small communities in helping to offset any deterioration of service in communities. This came as a result of the Airline Deregulation Act of 1978. What are the reasons for proposing a reduction in this program of $100 million this year and $250 million next year? What is going to happen to those small communities that have been kicked out in the cold?

Mr. SAFEER. The proposal does not impact on the amount of money that was set aside for the operators of small aircraft, sir. It will still be $100 million for commuters in fiscal year 1981 and the $100 million in fiscal year 1982 will be for aircraft of the size that will be bought by commuters for service for small communities.

Senator ANDREWS. Senator Abdnor?

Senator ABDNOR. Thank you, Mr. Chairman.

AVIATION GROWTH RATE

Mr. Secretary, along the lines of questioning about the number of flights that can be handled, military, long, and short flights, I recall at hearings held last year before the aviation subcommittee in the House, the FAA Administrator stated that by the year 2000 every third American family is going to have a King Air in the backyard and possibly 75 percent of the growth in the movement of the air traffic control system in the next 5 or 10 years will be attributable to business flying and not to air carriers.

The Administrator also said that he foresaw a service increase between business users and scheduled air carriers including commuters which will raise the question of strict passenger air space capacity.

What has been the actual growth rate in aviation over the last few years? And what can you see for the future?

Mr. SAFEER. Over the last few years, I don't have the exact percent of instrument operations at FAA towers, which are the operations that mainly contribute to the workload. The total instrument operations have grown from 27 million in 1975 to approximately 38 million in 1980. During that same time period, 1975–80, general aviation accounted for approximately 10.7 million and that grew to approximately 19.3 million. Thus, there has been almost a doubling.

Senator ABDNOR. Do you think that projects growth will continue? Will the next 5 years see much the same kind of growth?

Mr. SAFEER. Air carrier growth was from 9.5 to 10.6 million instrument operations. Over the next 5 years, between 1980 and 1985, we expect the carriers to grow from 10.6 to 11.4 million instrument operations. We expect general aviation to grow from 19.3 million to approximately 25.8 million instrument operations.

We expect the growth in general aviation to continue insofar as the aircraft currently being bought by the general aviation sector are the aircraft which use our facilities. The greatest growth in aircraft purchases are those aircraft that are multiengine and equipped to fly in controlled airspace. We have seen the fall off in the single-engine aviation aircraft. These are the ones that are used for local flights primarily and these are the ones where the growth rate is declining.

Senator ABDNOR. Why do you see a dropoff? I would think some areas of the country would have to have more and more if they want to get around by air travel.

Mr. SAFEER. If they are going to be operating into and out of airports they will have to equipped. They will be more sophisticated aircraft. They will have better avionics and that will be at the higher end of the price scale in general aviation aircraft.

Senator ABDNOR. That is substantial growth. I have two thoughts here. You keep dropping numbers. You just keep getting the more sophisticated equipment that takes care of it? Is that right? So you are in a position to cut personnel all the while this growth is taking place.

Mr. SAFEER. As we improve on our capital facilities or landing aids, our facilities generally, and our air traffic control procedures, and as the aircraft become more sophisticated and better able to use them, it is a combination of factors that affect the growth. We have to have improved facilities. The aircraft themselves are going to be improved. And there is a mix of avionics, ground equipment, and air traffic controllers that are needed to handle the growth in traffic. It is not any one factor that is going to provide the growth.

Senator ABDNOR. This is also going to bring a responsibility for equipment on the part of the user of the plane, right?

Mr. SAFEER. We are seeing that the users are improving their equipment in order to operate.

Senator ABDNOR. Because they have to? Is it because of what you are doing that they have to? Or is it because they want to?

Mr. SAFEER. In some parts of the system they are doing it because they have to have the equipment to fly into a terminal-controlled area.

AIR CARRIER SERVICE INTO SMALL COMMUNITIES

Senator ABDNOR. I am thinking of smaller communities. I am from the central United States where the population isn't too great, but I think we have some responsibility to see that they have some kind of way in and out of the area. They have to rely more and more on us, and frankly some of our people can't afford the sophisticated equipment for traveling. I don't know anything about airplanes and the equipment aircraft must currently use. I know it is pretty expensive.

Since deregulation, and I don't mind telling you that I did not support deregulation, we have lost service all over the place. It looks to me like you are going to have to go more and more in your own plane. I guess they have to look also toward the day that they have to put more and more money into that plane to meet the equipment needs that you are installing. Is that right?

Mr. SAFEER. If they want to operate from small communities into the large ones; yes, sir.

Mr. TRENT. Senator, my background as a pilot is from Kansas and relates to flying from fields that are uncontrolled to other uncontrolled fields. A very substantial part of the travel uses VFR where IFR is just not available in the small plane. Visual flight rules would continue to be and are an important part of the FAA.

I think the real problem develops where you have a small plane going into an area where there is a great deal of activity, and in order to insure that safety is maintained you do need certain types of controls to make sure that the plane is properly identified. And as it comes into an area where other planes are under instrument flight rules, you can maintain separation and protect the safety of both types of traveler.

But I think visual flight rules and those operations in the less dense areas will continue to be a very important part of our aviation and particularly some aspects of general aviation as we move into the 1980's and 1990's.

Senator ABDNOR. Thank you.

AIRLINE DEREGULATION

Let me ask about deregulation, Mr. Trent. What do you estimate to be the impact of deregulation on our facilities and on aviation safety in general?

I think some of the budget proposals on airport aid assistance are causing problems. I know in our area we are going to continue getting improved aircraft and we have to lengthen our runways. Funds are getting harder to come by for that purpose.

So what has been the effect of deregulation on your own equipment, your own facilities, on aviation safety? Has it had any effect?

Mr. TRENT. I think the general answer to that, Senator, at least as we measure statistics in the FAA, is that there has been no adverse effect on aviation as a result of deregulation through fiscal year 1980. The 1980 accident data reflect a substantial improvement over 1979. Total accidents dropped from 57 to 36. Fatal accident figures should be even more impressive with the decline from 13 to 6. This achievement has been accomplished as both commuter airline operations and passenger traffic have steadily increased during this year.

COMMUTER AIRCRAFT PROGRAM

The commuter aircraft program provides facilities financed by private accounts to insure that the same equipment is guaranteed for commuters as that which is a part of the 121 operators as called for in the Deregulation Act. The commuter program is planned over a 5-year period of fiscal year 1982 through fiscal year 1986 and there are $79.2 million to be spent for facilities over these 5 years. I think the extension and effort of the FAA to provide the same type of control and same type of safety standards with the commuter airlines has been effective.

Senator ABDNOR. You have the same kind of safety standards for commuters. They have to meet the same standards, the same safety requirements? Do they have all the facilities that they are supposed to have in commercial airlines?

Mr. TRENT. We have the same general commitment.

Senator ABDNOR. Not commitment.

Mr. TRENT. The same standards.

Senator ABDNOR. Will my people be assured that they will have all the same safety precautions that they have when they get on the commuter? They have heard the stories and they have asked me that. I understand back over a few years ago it was not true but it is today, right?

Mr. TRENT. It is my understanding that we have the same equipment. I might ask Mr. Luffsey to deal with that.

Mr. LUFFSEY. In a word the answer is, "Yes." You have the commitment and you have the equivalent safety as called for by the act. As you know, sir, we have put special emphasis on the commuter airlines over the last couple of years. They have all been recertificated. That work is now behind us. We have worked closely with the industry through workshops and symposiums to make sure safety receives emphasis. And the accident record over the last year reflects that improving situation.

Senator ABDNOR. What has been the relative impact of increases in aviation fuel costs and sluggish economy on aviation growth? What are your projections for the future? Do you expect aviation growth to pick up again?

Mr. TRENT. We have just completed revision of estimated statistics of user services which would relate to the number of airplanes in the air traffic control system.

I should indicate that the projections that we have on new aircraft and use of aircraft are tied very closely to economic projections. As you know, we face serious problems in the economy and there is a very strong economic program that the President has sent here to Congress for consideration.

We do hope by moving toward a balanced budget in fiscal year 1984 that it will be possible to reduce the interest rates, slow inflation, and provide for a much, much stronger and revitalized economy. And with the projections that we are using, assuming that this program will be enacted, we think that the aviation sector will continue to grow, and grow at an impressive rate.

I could again turn to one of my staff members for more detail on the projections.

ACTIVITY FORECASTS

Mr. SAFEER. Yes, sir; in the short run because of the increased fuel prices, because of the continuing recession, we are estimating that aviation activity will not grow as fast as we had previously thought. In fact in some sectors we will probably be declining shortly.

However if one looks out over the 10-year period for long-range planning purposes, we find that we expect the trends to continue, that aviation will continue apace with the growth of the economy, and that by 1991 we will be seeing a level anywhere from 50 to 60 percent higher than those that we are achieving today.

Senator ABDNOR. I will just say one thing on that. I don't know if it is true throughout America, but it is true in my State. I can't go to California for less than I could before. I can guarantee that it is not going that much higher. It is just double. If you want to go back to the Midwest, you have nothing to do with rates or anything. But you figure in your growth, I guess it is mostly with the large population areas because I just can't believe it is going to be on the increase out in the other areas.

Mr. TRENT. Senator, I think it is interesting to note that general aviation use for business purposes continues to show strength in spite of the rampant increase in prices.

Senator ABDNOR. There has to be more and more of that.

I have a couple of other questions I will submit for the record.

Thank you, Mr. Chairman.

AIRPORT SLOT ALLOCATING

Senator ANDREWS. Actually the problem that we have in this business is flying back and forth. When I first came to Congress I could fly a round trip to North Dakota from National Airport for $104. Now it costs me $480. In other words I can fly a round trip to Los Angeles for less money than I can to Fargo, N. Dak. That is all because of deregulation and a host of other things. Maybe it is $500 now. I haven't looked at a ticket for a month, and they generally go up every couple of weeks.

We have other problems in international aviation with which you deal, such as airport projection problems. What has been the reaction of foreign governments to the proposed slot action? Do you do that or does the CAB do that?

Mr. SAFEER. Yes, sir. It is a DOT proposal on slot allocation. The response to the notice of proposed rulemaking was universally opposed to any method other than the scheduling committee for allocating slots.

Senator ANDREWS. What is the resultant impact that that is going to have on the United States? If they play hard ball I would assume that over in London, Amsterdam, and other places our air carriers are going to be retaliated against, aren't they?

Mr. SAFEER. This is just a notice that was for comment. We have gotten the comments and we are considering all of the comments, particularly those that try to build a case for not changing it. No decision has been made nor will one be made until all of the affected parties have a chance to impact on the decision.

Senator ANDREWS. You are aware of the fact that they have ways of retaliating against our air carriers?

Mr. SAFEER. Very much so, sir.

NATIONAL AIRPORT HIGH-DENSITY REQUIREMENTS

Senator ANDREWS. What is the current status of the high-density requirement of National Airport?

Mr. SAFEER. The high-density rule remains in effect as it was prior to the November rulemaking. It is now under review by the Secretary and will be under review by the Administrator when he is appointed.

Senator ANDREWS. I have some carriers now in operation that exceed the quotas.

Mr. SAFEER. Yes, sir.

Senator ANDREWS. What actions were taken by them?

Mr. SAFEER. Basically the Administrator looks at what is being done in light of the recent actions by one carrier and will be dealing with this hopefully once we get an Administrator.

Senator ANDREWS. Can you provide some detailed information for the record?

Mr. SAFEER. Yes, sir.

[The information follows:]

HIGH-DENSITY RULE

One air carrier has been taking advantage of an ambiguity in the high-density rule to operate flights in excess of its allocated slots. It has been operating flights in excess of its quota at Washington National Airport on a weather-contingent basis: the flights are advertised as being operated only in good weather, and the airline calls air traffic control for a clearance before operating.

The high-density rule does provide that additional operations may be conducted in excess of the slot quotas by advance reservation, when weather permits. However, the original intent was that access under these conditions be available only to general aviation, not to air carrier weather-contingent operations.

The FAA issued a notice of proposed rulemaking (NPRM 80-26) to clarify the high-density rule, specifying that flights without slots are prohibited even if air traffic control has higher capacity because of good weather. This clarification is intended to prevent an air carrier from scheduling flights in excess of its quota on a weather-contingent basis.

The comment period on NPRM 80-26 has closed. Issuance of a final rule has been delayed pending the comprehensive review of the high-density rule and Metropolitan Washington airports policy.

Senator ANDREWS. You are not just hiding your head in the sand and hoping it will go away?

Mr. SAFEER. No, sir; but the Administrator-nominee has taken an interest in this and he will be able to deal with it.

Senator ANDREWS. I was intrigued a moment ago when I asked what would happen if we had a strike and the answer I got from one of the Secretary's backup people was concise: We would get priority on long-distance planes over 500 miles. At this same table we had Mr. Boyd from Amtrak not too long ago. It looks like one arm of the Department of Transportation doesn't know what the other is doing.

If these increased slots for national aircraft flights to Philadelphia and New York City not only add to the noise pollution and congestion which we hear a good deal of from time to time in the community of Washington, don't they also take considerable passenger load that would otherwise go to Amtrak? We asked that question and the answer we got back from the witness sitting at that very same table 1 week ago was they certainly do.

Mr. Boyd of Amtrak said that if the FAA would leave the slots; or cut the slots back on the short term for short-distance commuter-type flights to New York City, these passengers would go to Amtrak. We could get to New York City in 2½ or 3 hours which would be less time to face. We could even save fuel. We would save Government money on Amtrak and do a host of other things.

Here you are not sure of what action you are going to take about those additional slots. Have you looked at the possibility of the fact that the addition of slots for National Airport for flights to areas that are served so well by Amtrak commuter service is covered by another funding agency of the Federal Government?

Mr. SAFEER. Yes, sir; in preparing the environmental impact statement and economic analysis for the proposal, we did review the study that was done on the Northeast corridor. In their own study it was indicated that the impact on the aviation use was minimal and the greatest impact they expected to have with the Amtrak service was to draw people out of the motor vehicles and not out of the airplanes.

Senator ANDREWS. Mr. Boyd just testified in the subcommittee that he felt if the airlines were not increasing the short-distance flights out of Washington to the cities he served that more of that service would go on Amtrak. I don't want to say who is right or wrong. But it certainly would appear that we have a problem of congestion at National. We have a problem in this country of energy supply. We have a problem in this country of deficit financing by the Government which is trying to cut back its spending.

Maybe the committee is faced with a couple of choices. Either we are going to make Amtrak a national system or we are going to decide we don't want an Amtrak. Or maybe we can turn around the other way and cut back some of the funds you are using for short-distance flights in and out of National. One way or another we are going to try to help the administration solve some of these dollar impacts that we have.

And you seem to have no program whatsoever to limit the seemingly endless growth of commercial aircraft out of National to New York City or to Philadelphia, at least that is the impression I am getting this morning, even though it is having a serious impact on Amtrak, even though it is having a serious impact on the noise pollution in the Washington, D.C., area.

ICAO DISCUSSIONS

ICAO is opening its communications directional meeting in Montreal today. Can you describe for the record what the U.S. position will be and what your impact may be?

Mr. ALBRECHT. There are three major subjects, Mr. Chairman. One is DABS and its future in air traffic control; the second is collision avoidance systems and where they are going; and the third is to review the MLS program in terms of standard operating practices.

Our position I think is consistent with that of most other countries. We have dealt very openly and completely with the European Community, with the Japanese, and with the Russians to make sure that the proposals that go into detail are not in conflict. We believe that is the current situation.

We are proceeding in a manner that will assure that any required detailed technical data will be submitted.

UNITED STATES AND JAPAN INTERNATIONAL AGREEMENT

Senator ANDREWS. I understand that you are going to begin bilateral talks with Japan next week. What is going to be on the agenda? And who is going over there?

Ms. CONNOR. Mr. Chairman, the agenda of the bilateral talks is oriented around the Japanese concern that the agreement between the United States and Japan has been imbalanced in the favor of the United States since reversion of Okinawa to Japan. They have a number of items which they are interested in, including additional access rights into the United States and beyond the United States.

The U.S. position, on the other hand, is that we are seeking additional rights from Japan. Specifically we are asking Japanese approval for an additional carrier that has already been certificated by the CAB and designated by the State Department to serve Japan; increased flexibility in setting fares for Pacific travel, and an improved regime for charter operations.

At the present time the delegation has not been firmly established but it will be headed by State Department officials with representatives from both the Civil Aeronautics Board and the Department of Transportation.

Senator ANDREWS. They are leaving next week and you don't know who is going yet?

Ms. CONNOR. Unfortunately, the State Department does not have a person in place to head that delegation. We are currently reviewing the individual that they have proposed to lead the delegation.

Senator ANDREWS. Who is going from Transportation?

Ms. CONNOR. We will be sending Frank Willis who is my deputy. Vance Fort, who heads my Office of International Policy is also going. We are also sending Jeff Shane who is in the General Counsel's office.

Senator ANDREWS. Who is representing the CAB?

Ms. CONNOR. Mr. Marvin Cohen, the chairman of the CAB and Dan Casper who heads the Board's Bureau of International Aviation.

Senator ANDREWS. I have heard stories from industry that the top people are all from the past administration. Is that because the new administration does not have any feel for these talks?

Ms. CONNOR. No, sir; we have been taking a careful look at it and the three agencies have been working in the development of the package. It is true, however, that we are having problems in not having an appointee in the administration at the moment. Bob Hormatz, who has been nominated as the Assistant Secretary at the State Department is not yet in place and is not able to attend these talks. So at the moment we have not determined exactly who will be the chairman.

Senator ANDREWS. I understand this session is going to be of an exploratory nature rather than an attempt to hammer out an agreement. Is that correct?

Ms. CONNOR. The United States currently has a proposal on the table which was tabled in January of this year. It is our hope that we will find out from the Japanese what their reaction to that package is. Depending upon their reaction, we may or may not be able to proceed with the completion of the full talks.

I think it is our opinion that the proposal is sufficiently substantial, and with differing views at stake, it may be difficult to come to conclusions in this round. But I believe that both parties would like to see an agreement if we possibly could.

Senator ANDREWS. What you are telling this committee then, telling this new administration, is that we are sending a team over to Japan to hammer out a key commercial agreement that was on the table last January, proposed by the other administration, and the key spokesmen that are being sent over are holdovers from the other administration. That certainly does not look like much leadership on the part of the Reagan team.

Isn't that essentially what you just told me?

Ms. CONNOR. No, sir.

Senator ANDREWS. But you said the agreement was on the table last January. Wasn't that from the last administration?

Ms. CONNOR. That is true.

Senator ANDREWS. The proposed agreement was a creature of the last administration.

Ms. CONNOR. That is true, and that is our primary concern. And for this reason the Department of Transportation has not been willing to sign off on the composition of the designation until we are satisfied that there would be a representative of this administration to head the negotiations.

Senator ANDREWS. The people of this administration are sitting in front of this table. You have to fish or cut bait.

Are you totally satisfied with this proposal of the Carter administration?

Ms. CONNOR. We are satisfied with starting with that proposal and we want to take a serious look at all of its elements before negotiations begin. The basic parameters of the package are something that we believe we could proceed on. I do concur with you, however, that an appointee from the Reagan administration should, if at all possible, conduct these talks. For this reason Secretary Lewis has not been willing to approve the current delegation.

Senator ANDREWS. It would appear, and I have been told, that some of these proposals would cost the American aviation a considerable amount in balance of payments and a lot of other things. And to see that you are thinking about reviewing it after you get into negotiations is appalling.

Ms. CONNOR. We would have a position ready before any delegation was sent over.

Senator ANDREWS. They start negotiations next week.

Ms. CONNOR. I know they are. We are working very diligently right now to complete our position so there will be a fully formed position on the part of this administration before the talks begin.

FACILITIES ENGINEERING DEFERRAL

Senator ANDREWS. No wonder we have problems.

What is the rationale for your deferral of $30 million in fiscal 1981 for facilities engineering projects directed by Congress?

Mr. TRENT. Mr. Chairman, the reason that we had deferred those is because of the reduced funding proposed for the FAA and also the need for considering them under the same criteria as the other facilities that receive funding under this appropriation.

Senator ANDREWS. Can you provide for the record a listing of the projects delineated by Congress in fiscal 1981 Appropriations Act for which the proposed deferral is made?

Mr. TRENT. Yes; I would be glad to.

Senator ANDREWS. And the reason for that deferral.

Mr. TRENT. Yes.

[The information follows:]

The proposed deferral is based on the rationale that many of the projects which were added by Congress do not qualify for funding under the Federal Aviation Administration's benefit/cost criteria and all of them are considered lower priority than the projects contained in the fiscal year 1981 budget and the fiscal year 1982 proposed program. Along with this deferral, our fiscal year 1982 request proposes to use the funding from the deferred projects to fund a $30 million portion of the fiscal year 1982 program. The balance of fiscal year 1982, $324 million, is to be funded by new budget authority.

A listing of the projects which are proposed for deferral will be provided for the record.

Fiscal year 1981 projects proposed for deletion

Establish airport traffic control tower, Mesa, Ariz	$1,380,000
Establish terminal radar (4 locations):	
Hillsboro, Oreg	9,171,100
Mid-Hudson Valley, N.Y	7,574,300
Moses Lake, Wash	3,851,000
Paco, Wash	5,448,200
Establish automated radar terminal system, Baton Rouge, La	902,000
Establish very high frequency omnidirectional range, (VOR) Circleville, Ohio	580,900
Establish instrument landing system, Charleston, (Kanawha), W. Va	628,800
Establish instrument landing system, Cavern City, N. Mex	698,200
Establish localizer, Montgomery Co. (Wings Field), Pa	327,900
Additional Federal funding to relocate airport traffic control tower, Philadelphia, Pa. (nonadd)	[1] (2,850,000)
Total	30,562,400

[1] Project is underway, and funding for this project is not proposed for deletion. Therefore, total recommended for deletion is $30,562,400, which is rounded to $30 million in fiscal year 1982 budget proposal.

AIRPORT GRANT APPLICATION

Senator ANDREWS. Have you received an application for a development plan for the Grand Forks airport and airports in which I have a little bit of interest? Has such an application been received?

I look at 16 years of being on the Appropriations Committee. Those are the kinds of questions that you come armed for.

Mr. MUDD. Yes, sir; your application has been received.

Senator ANDREWS. And what is the status?

Mr. MUDD. The status is, sir, until we have legislation we will be unable to act on it. As I recall, the application was in the amount of $3.8 million. Whether we will have sufficient funds to honor that amount will depend on the legislation.

Senator ANDREWS. Wasn't that directly given by this committee in the last Congress?

Mr. TRENT. Mr. Chairman, I believe the problem is that legislation ended on September 30 of last year and we are not funding any projects along those lines until new legislation becomes effective.

Senator ANDREWS. The question is once you open it up, will it have a priority status because it was mentioned by the last Congress?

Mr. TRENT. Mr. Chairman, I am informed that in the past, projects similar to this have been funded, and it will be something that will be very carefully reviewed. I can give you my personal assurance on that.

Senator ANDREWS. Can you provide any additional information on the consideration that is being given to leaving the FAA field offices in Bismarck, N. Dak., and Helena, Mont., in order to consolidate these functions in Denver? What is the rationale for that?

Mr. MUDD. Mr. Chairman, the field office in your State has two of our engineers assigned to the Rocky Mountain region. Also, the office in Helena has two engineers and there remain in our regional office two more engineers, making a total of six. The problem in the two field offices is we have two-thirds the engineers and one-third the workload. And, with reduced staffs, we can make more efficient use of our talent by consolidating them in our Denver office.

With respect to your request, no decision has been made. However our regional office has underway a study and a recommendation has been made to close those offices. Before that decision is acted on, there will be consultation with Washington and the Administrator-designate who will then make the final decision.

Senator ANDREWS. Isn't it true that the North Dakota office used to handle the South Dakota FAA engineering office operations? The Montana office used to handle the Wyoming operations? Not only were South Dakota and Wyoming removed, but now they are closing Bismarck and Helena and transferring operations to Denver.

Mr. MUDD. At one time South Dakota had its own office.

Senator ANDREWS. That is true. Then they consolidated.

Mr. MUDD. But, with further reductions of the Bismarck office that function was transferred to Denver.

Senator ANDREWS. Sure, you enhance the Denver operation at the expense of North Dakota and Montana. Can you provide for the record why a multi-State operation is more cost effective than a two-State operation which is what we used to have?

Mr. **Mudd**. Yes, sir; we will.

Senator **Andrews**. And find out what the costs are in transportation and also let us know what the travel costs are for people traveling back and forth from Denver to these various States rather than having them out in area offices to take care of two States.

How many States will the Denver office now handle if they absorb North Dakota and Montana?

Mr. **Mudd**. They will handle six States in that region.

Senator **Andrews**. They were originally a two-State office; North Dakota was a two-State office; Montana was a two-State office. And you gathered into Denver and made Denver a four-State office faced with two single-State offices and the last of the attrition moves from the last two States?

Mr. **Mudd**. Yes, sir; the problem of course was the reduced personnel. We had to concentrate to have the expertise in one area that could handle all six States.

Senator **Andrews**. Well, please provide for the record how that is done and why it is more cost effective.

[The information follows:]

A major consideration to close and consolidate the Helena, Mont., and Bismarck, N. Dak., airports field offices into the Rocky Mountain regional office was due to the workload imbalance created by current field structure. The Helena and Bismarck field offices employed two-thirds of the region's engineering staff but only one-third of the region's engineering workload demand was contained within the geographical area served by these two offices. In addition, the Rocky Mountain airports division has been subject to continued staffing and fiscal reductions in recent years which precipitated a need to reevaluate its organizational structure in order to achieve the most cost effective use of its available engineering staff. A study was completed in March 1981 which addressed the problems discussed previously and alternative options. The study recommended that closure of the two field offices would be the most organizationally effective option for utilization of current and projected employee resources. The FAA Administrator will review this study and other considerations and make a determination on the closures in the next few months.

It is estimated that if these two field offices remain open that their annual travel costs would be about $11,000. Serving these States from the Denver office will incur travel expenses of $16,600 or an increase of about $5,600. However, this travel cost increase will be offset by the $20,500 decrease in rental, communications, and utility charges from closing these offices resulting in a net savings of $14,900 to the Government.

NTSB RECOMMENDATION ON POST-CRASH FIRES

NTSB recently testified before this committee that your agency has for the last 20 years promised to act regarding the post-crash fire problem but NTSB is concerned that your proposed program will again be postponed and that no action will be taken to improve conditions for post-crash fire survivability.

The National Transportation Safety Board also pointed out that International Harvester has already developed for NASA a new material called polyresilient foam. We had an attempt to burn it in our committee hearing room and compared it to the material you let aircraft use in the United States. It appears to resist fire, not give off toxic gas and smoke, and does not produce a flame.

Now the question is, with the National Transportation Safety Board telling us that they have this new material that works so well, Why do you allow American aircraft to continue to use this flammable and toxic plastic? And why is it taking you so long to overcome these concerns? And how do you plan to proceed on implementing this program? Or is what our witnesses from the National Transportation Safety Board telling us all a figment of their imagination?

Mr. TRENT. Mr. Chairman, my understanding is that the testing the FAA has done on this particular material indicates that the decision is a little more complicated than I would have earlier suspected.

Senator ANDREWS. That is why I want to get your guidance.

Mr. TRENT. I appreciate getting the opportunity to put the results on the record.

Senator ANDREWS. I would assume when you supply this language for the record you will also be able to take a look at the testimony of the National Transportation Safety Board.

Mr. TRENT. Yes, sir; I believe we will be pleased to testify in a general way about the research that we have already done in this area.

If I could, I would like to defer to Walt Luffsey on this.

Mr. LUFFSEY. I will be glad to and certainly can provide a listing of actions from the FAA. The development of polyimide occurred under NASA but with a joint program with FAA. The product was provided to FAA for testing. It was tested in an equivalent environment to what you might expect. The polyimide did not hold up in the test environment we had.

Senator ANDREWS. In a Senate ashtray it is very impressive.

Mr. LUFFSEY. But heat flux makes a significant difference and there are videotapes comparing the products.

Senator ANDREWS. I would not be doing my job if I sat through an examination such as this without asking you to make sure that we had for the record what your side of that statement is so when we do move ahead, we do it based on what is right.

[The information follows:]

We have a joint fire safety program with NASA which includes NASA's investigation of advanced materials for use in cabin interiors. The material polyimide was tested by NASA in a laboratory-type setting and it initially appeared to have high potential. We tested it in our full-scale C-133 fire test facility under a typical aircraft cabin configuration and fuel-fed fire scenario and found that it did not perform as well as other materials we have tested.

We are conducting a series of tests in the C-133 in which we will evaluate five different material concepts. These tests will be completed in May of this year,. and we should be able to recommend a solution for the involvement and contribution of urethane foam materials in cabin fires.

Mr. ALBRECHT. In addition to the tests that Mr. Luffsey described, we have a major program in antimisting fuel. It is an additive that potentially can prevent the fireball that happens when tanks rupture upon impact. This looks like a very promising program.

In addition we have done work on the location of emergency lighting and recommend that it be placed lower on the floor or on the sides of seats so that when a cabin is smoke filled, people can see the lights better.

Finally we have completed development and testing on a heat resistant evacuation slide and are making recommendations for preliminary consideration.

Senator ANDREWS. I would appreciate any added information so we will have it on the floor for this bill as well as being able to pass it on to the House.

[The information follows:]

Testing of heat-reflective evacuation slides with aluminized coating has been completed, and the results indicate that the time to failure from heat can be extended. The amount of time that the slide remains inflated would at least double—different slides would have different times. The FAA is studying the test results and expects to issue a notice of proposed rulemaking on slides in fiscal year 1981.

COMPUTER REPLACEMENT PROGRAM

With regard to a system program officer for your computer replacement program, Mr. Sharp testified last year that a single program manager would be named within several months of last year's hearing to manage the program. Who is the program manager for this activity?

Mr. ALBRECHT. He has not been named as of this moment, Mr. Chairman. Mr. Sharp was a little optimistic. This program office was developed late in the last administration. It needs to be approved before we can actually hire the program manager. It is up for review by the new Administrator.

We have gone through the initial parts of the selection process for the program manager, and as soon as the organization of the office is approved we will be in a position to make that selection.

Senator ANDREWS. I suppose you are going to get it done before next year?

Mr. ALBRECHT. Yes, sir.

Senator ANDREWS. And when you get that program set you will be able to be more responsive to the things that the "60 Minutes" program brought up? You have to find that magic program guy so that he can get all these things into the computer so you can spit out right answers and right policies.

I have to leave because of another commitment but Senator Abdnor is here. But I would like to ask one last question.

In the March 16, 1981, issue of Aviation Week and Space Technology, your Secretary Drew Lewis was quoted as saying: "The agency FAA is committed to going ahead with a new $10 billion aircraft traffic control computer system." Lewis said: "FAA must build up a large surplus in the aviation trust fund so the agency FAA will be able to afford the new system."

During the period of review of the air traffic system by the Senate investigation staff, the estimated cost for the replacement system was between $1.5 and $2.4 billion. Now the cost has escalated from $2.4 to $10 billion. Can you explain this for the record? Give me your best and your latest estimates.

Mr. TRENT. Yes, Mr. Chairman, I will be glad to do that. The estimate of $10 billion is a number that was developed in studies done during the previous administration. Secretary Lewis did establish——

Senator ANDREWS. You mean you just accepted those figures? You are going to do your own?

Mr. TRENT. Yes; we are proceeding with our own analysis. We are in the process today of putting together a committee so that when the

Administrator of the FAA is confirmed, we can look in detail at all of the different parts of the program that have developed, and to research, and develop projections that have led to these different estimates.

The preliminary report on the computer replacement element that we sent to you about 2 to 3 weeks ago dealt with a section of the program that would cost in the range of $2.5 to $2.8 billion based on estimates made during the last administration for the kind of hardware that would be necessary for the revitalization of the air traffic control system.

The projections that we have submitted in the proposal for the new airport and airway trust fund bill set the authorization levels for this program area. The same legislation proposes a 6.5-percent passenger ticket tax on air carriers and a 12-cent-per-gallon tax on gasoline for general aviation, and a 20-cent-per-gallon tax on aviation jet fuel. These taxes would be credited to the airport and airway trust fund and then used in connection with our various authorizations. This is in keeping with President Reagan's general program that would tie user charges much more closely to operating expenses.

Senator ANDREWS. I understand the user charge. You are just going to have that much more.

Mr. TRENT. The proposal that we have under consideration as a part of this proposed legislation would provide for a fairly substantial drawdown from the airport and airway trust fund in fiscal year 1982. It would be down from its current level of $3.8 billion to a level of approximately $3 billion the first year and continue to be down in fiscal year 1983–84.

The projections that we have on the increases in system use by general aviation and also the increases in use by commercial aviation would lead to higher balances, so that by the end of fiscal year 1986 we will be looking again at a trust fund balance in the $3.6 to $3.7 billion range.

Senator ANDREWS. You are giving me all kinds of figures about the cost estimates and how you are going to increase the trust fund and all of that. What you have not done is answered the question about the escalation from $2.5 to $10 billion for this air traffic computer system.

Mr. PLISSNER. Perhaps I might clarify what is at issue here. I think the figure of $2.8 or $2.5 billion is the cost for replacement of the computer, the main computer in the en route system alone. The estimate of $10 billion that you refer to is an estimate of the total capital system needs, going well beyond the computer. It would include things like normal activity growth requiring additional radars, the terminal area equipment. It includes landing systems and the like.

So the two numbers do not refer to the same things.

Senator ANDREWS. Compare for the record, because I want it in quite some detail, what we are really looking at here. We have seemingly two systems, one with a Senate investigation staff looking at it with a cost escalation from $1.5 to $2.4 billion. Now we have Secretary Lewis as of last week saying it is $10 billion.

Now it could well be that we are talking about two different things, but the article attributed to Secretary Lewis looked like it was the same package that the Senate investigations staff looked at. So if you could explain in detail for the record how we compare the statements by the Secretary with the figure that was discerned by the Senate investigations staff, that will give this committee the clarification we need.

[The information follows:]

Our estimate for the new en route computer program has not changed. The $1.5 billion estimate is the amount required stated in constant fiscal year 1980 dollars, before inflation. When inflation is considered, the amount increases to $2.8 billion. The $10 billion program that Secretary Lewis was talking about was a proposed total capital equipment plan for the entire air traffic control/air navigation system spread over the next decade.

Senator ANDREWS. I have some further questions for the record. Senator Chiles and Senator Kasten have some questions for the record.

I would like to turn the hearing over to Senator Abdnor.

Senator ABDNOR. Mr. Chairman, I didn't tell you, but I have a meeting I have to go to.

Senator ANDREWS. If you have some additional questions for the record, you may submit them.

Senator ABDNOR. I will ask a quick one.

COMMUTER AIRCRAFT SERVICE

Can you give me some detail of what you are going to do to improve small community airports served by commuter and local service air carriers? Do you have any plans?

Mr. TRENT. Yes; we do have a commitment to create a favorable climate to bring additional carriers into smaller markets.

Senator ABDNOR. When are you proposing to improve service for the small community airports served by commuter and local service air carriers?

Mr. BISPO. In the 1982 budget we are initiating a 5-year program to add additional facilities to the commuter and the local service airports. Over 5 years, this will include the addition of 48 full precision approach landing systems. It will also include adding additional instrumentation on 40 other runways to bring them up to a full instrument capability.

Senator ABDNOR. Forty for the Nation you mean? Where are these that you are putting in that last part?

Mr. BISPO. We have identified 127 locations which are served by commuter, where we plan to provide additional facilities.

Senator ABDNOR. How many are in the Middle West?

Mr. BISPO. I would have to provide that for the record.

Senator ABDNOR. Would you please? I would like to know where they are going.

Thank you, Mr. Chairman.

Senator ANDREWS. Thank you, Senator.

[The information follows:]

Commuter Airport Program
Candidate Locations

State	Location
Alabama	Auburn
	Gadsden
Alaska	Buckland
	Chevak
	Circle City
	Deering
	Elim
	Goodnews Bay
	Haines
	Holy Cross
	Hoonah
	Kalskag
	Kaltag
	Karluk
	Kiana
	Kipnuk
	Kivalina
	Klawock
	Koyukuk
	Marshall
	Mountain Village
	New Stuyahok
	Noorvik
	Nulato
	Pilot Station
	Point Hope
	Port Lions
	Russian Mission
	Selawik
	Shugnak
	Skagway
	Stebbins
	Tanacross
	Teller
Arizona	Lake Havasu
	Page
Arkansas	El Dorado
	Fayetteville
	Harrison
	Jonesville
California	Inyokern
	San Luis Obispo
Colorado	Alamosa
	Cortez
	Hayden
	Montrose
Florida	Marathon
	Naples
	Punta Gorda
	Vero Beach
Georgia	Athens
Hawaii	Hana
	Kamuela
	Kaunakakai
	Lanai City
Iowa	Clinton
Kansas	Dodge City
	Garden City
	Great Bend
	Hays
	Lawrence
	Parsons
Louisiana	Houma
	Patterson
Maryland	Cumberland
Minnesota	Brainerd
	Fairmont
	Worthington
Mississippi	Natchez
Missouri	Ft. Leonard Wood
	Jefferson City
	Kaiser/Lake Ozark
	Kirksville
	Poplar Bluff
Montana	Glasgow
Nebraska	Alliance
	Chadron
	Columbus
	Hastings
	Kearney
	McCook
	Norfolk

State	Location
New Jersey	Millville Wildwood
New Mexico	Alamogordo Carlsbad Clovis Farmington Gallup Silver City
New York	Ogdensburg Oneonta Plattsburgh
North Carolina	Greenville New Bern
North Dakota	Devil's Lake Williston
Oklahoma	Enid
Rhode Island	Westerly
South Carolina	Hilton Head
South Dakota	Brookings Mitchell
Tennessee	Clarksville
Texas	Brownwood Paris
Utah	Logan St. George Vernal
Virginia	Danville
Washington	Bellingham Burlington/Mt. Vernon Richland
Wisconsin	Ashland Hayward Manitowoc Marshfield Stevens Point Wisconsin Rapids
Wyoming	Cody Gillette Laramie Worland

Candidate Locations Outside United States:

Puerto Rico	Aguadilla Mayaguez Ponce
South Pacific: North Mariana Islands	Peipeinimaru Ruta Islands

U.S. REPRESENTATIVE AT JAPANESE TALKS

Senator ANDREWS. Incidentally, when you find out who you are sending to Japan next week would you inform the committee?

Mr. TRENT. Mr. Chairman, we would be very glad to inform you.

Senator ANDREWS. Just pick up the telephone and tell him. Since this is Monday and the talks begin next Monday, you are going to have to ascertain fairly soon.

Ms. CONNOR. Mr. Chairman, I would like to clarify that the head of this delegation should be from the State Department. Secretary Haig and Secretary Lewis have been talking about it and we expect to know today or tomorrow.

Senator ANDREWS. If you find out who from the State Department, let us know.

Ms. CONNOR. It will be chaired by the State Department.

Senator ANDREWS. But the Department of Transportation ought to have a pretty key role to play, and so far it looks like the only key honchos going are carried over from the past administration. Since this is a new administration I would be most interested if you would inform the committee when you find out who your top dog in the State Department is going to be. I understand it is supposed to be a triumverate from CAB, the State Department, and the Department of Transportation.

I funded the State Department on the subcommittee on the House side and I know how those cookies work. There is no way they will let somebody from Transportation chair it. But it is kind of interesting to know who it is. So far we only know one, Mr. Cohen, who is a holdover from the last administration.

Ms. CONNOR. Mr. Chairman, that is correct. The State Department will chair it. We have offered to chair this time, however, they did not want that to happen. We are working with them. The head of the Department of Transportation team will be my deputy who is Frank Willis. Under normal circumstances I would go. However, I have recently been employed by Pan American Airlines and am, therefore, abstracting myself from this round of talks. But my deputy has been designated by the Department and I am quite confident.

Senator ANDREWS. And has your Department come up with their own views on this or are we still adopting the view that if we put a couple more airlines in that field and get them into half a dozen different communities in our country, that is best for us?

Ms. CONNOR. We have been working quite cogently. We have our own view. I share your concern with respect to a designee from the agency, and Secretary Lewis and I have been working very closely on this matter.

Senator ANDREWS. It looks to me like the new administration has been out to lunch on this particular meeting and on a number of other things for a time. They don't know what their policy is. They don't know how they are going to form their own policy. They don't quite know.

Ms. CONNOR. I assure you the Department does have a firm position. Unfortunately I cannot discuss that here, otherwise it would not be a negotiation. But we have a position and we have communicated it to the State Department. And as I have indicated, we have refused to sign off on the delegation until we have assurances that a representative from this administration will head it.

Senator ANDREWS. We will be interested to see what will happen when you get around the negotiating table over there.

Thank you very much.

Mr. TRENT. Thank you, Mr. Chairman.

SUBMITTED QUESTIONS

Senator ANDREWS. I have some additional questions that I will submit for the record.

Mr. TRENT. We will be happy to respond, Senator.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

DELAY AND CONGESTION

Senator Andrews: Please describe in quantitative terms, the extent of current delay and congestion in the airport and airway system. How does your budget request relate to future projections of delay and congestion? To what do you attribute this trend and what actions are you taking to reduce delays?

Mr. Safeer: Average aircraft delay per operation in 1979 is estimated to be 6.3 minutes--5.1 minutes due to airfield causes and up to 1.2 minutes due to enroute causes. By 1990, average delay per operation may increase to 9.3 minutes due to increased congestion associated with higher levels of aviation activity. Most of this delay, however, is of relatively short duration, with about 10 percent exceeding 10 minutes or more.

The FAA has several ongoing programs to reduce delay: (1) reliever airport program to enhance the attractiveness of general aviation airports and thereby provide an alternative to the airport used by air carriers; (2) flow control monitoring and advisory programs to advise aircraft of delays and shift the incidence of delays over 20 minutes to holding on the ground at departure airports, thereby saving fuel; and (3) extensive engineering and development programs to reduce spacing between aircraft, reduce runway occupancy times, increase the ability to use multiple runways, and to develop short runways for general aviation use.

In addition, we are carefully analyzing the causes of delay to determine the extent to which capital investments can effectively reduce delays in the future.

Senator Andrews: What is the total cost of such delays, what has been the trend in those costs, and to what do you attribute the increase? What are you spending or planning to spend to reduce delays and how does that compare with the cost of delays?

Mr. Safeer: The cost of aircraft delay in 1979 is estimated to be $1.2 billion. In the past, costs have been rising--average aircraft delay per operation increased from 5.6 to 6.3 minutes between 1977 and 1979. The increasing cost of delay is the net effect of increasing average delay time and increasing aircraft operation costs. Shifts in the incidence of delay from airborne to ground sites have reduced somewhat the cost of delay below what might have been had the delay been taken enroute.

The FAA estimates that most delay is of very short duration--5 minutes or less and is undoubtedly inherent in the way airline operations are scheduled to depart from and arrive at airports. Longer delays in excess of 30 minutes are generally attributable to weather, a phenomenon which the FAA can do little about. The FAA's expenditure on congestion/delay reduction is governed not by the total cost of delay, but by the portion which we think we may be able to successfully mitigate. The proposed FAA budget for ADAP, R&D, F&E is $880 million in FY-1982. Some part of all of these programs contributes to delay reduction.

WASHINGTON AREA AIRPORTS

Senator Andrews: Your budget projects that Dulles Airport will have a net operating loss of $3.3 million, assuming the waiver of mobile lounge and landing fees. Would Dulles operate at a profit if these fees were not waived?

Mr. Wilding: The Dulles operating profit dropped from $3.1 million in fiscal year 1979 to $1.5 million in fiscal year 1980. Passenger traffic declined 19.3 percent during the same period. The waiver of mobile lounge and landing fees was offered as a financial incentive to the airlines to encourage greater use of Dulles. Without this incentive, a continuation of the declining activity at Dulles would have eliminated the operating profit at Dulles by fiscal year 1982. Through this financial incentive and other promotional actions currently being pursued, it is hoped to return Dulles to a sound financial footing by fiscal year 1983.

Senator Andrews: You have already spent approximately $17 million to extend the Dulles Airport highway to Interstate 66. Your fiscal year 1982 budget requests an additional $29.8 million to complete this 3-mile connecting highway. Would this highway be open to the general public for non-airport traffic usage, just like any other interstate highway segment?

Mr. Wilding: The Dulles Access Highway connection to Interstate 66 will be operated under the same constraints as Interstate 66. That is, it will be opened to the general public for non-airport traffic usage except during rush hours, when it will be limited to carpools, buses, and airport traffic.

Senator Andrews: Explain why highway trust fund money is not being used for this highway construction.

Mr. Wilding: In making the site selection for Dulles in late 1957, it was intended from the outset that the primary access to the airport from Washington should be by means of the proposed Interstate Route 66. The land for the entire 15 miles of access highway was acquired during the original Dulles development in the early 1960's with this in mind. However, in recognition of the fact that Interstate Route 66 was not scheduled to be completed until several years after Dulles would open, the original construction of the access highway covered only 12½ miles. Absent any compelling reasons to alter the original policy decisions on the Dulles Access Highway, the remaining 2½-mile section is also being funded from the Construction, Metropolitan Washington Airports appropriation.

Senator Andrews: Please state for the record the detailed history of your National Airport Policy, its current status, what questions remain to be resolved in the future, and a proposed timetable.

Mr. Wilding: In 1958, and again in the early 1960's, unsuccessful attempts were made to prepare and gain approval of a Master Plan to guide the future development of National. In the mid-1960's, given an abundance of evidence that the physical condition of National was inadequate, a renewed effort was launched to prepare an

Airport Master Plan to guide major new development. This effort established several physical development options to accommodate a growth in activity to about 16 million passengers per year. By the time these plans were published late in 1968, the airport was experiencing a severe community reaction to the aircraft noise problem which focused attention on the question of how much growth should occur at National. The development plan was shelved late in 1970 by then-Secretary of Transportation John Volpe.

In July of 1971, it was decided that there was a need to establish a Departmental policy on the proper roles for National and Dulles and that such a policy, once adopted, would be the logical foundation for further physical planning for the airports. Throughout the latter part of 1971 and all of 1972, a great deal of policy analysis work was carried out on the roles of National and Dulles, with the principal issues being related to the extent of growth to be permitted at National and to the continuing noise issue. Early in 1973 a proposed policy was issued for public comment. Several hundred comments were received--many of them Congressional. There was considerable opposition to the contents of the plan. After a great deal of reflection and discussion, the proposed policy was revised. This revised policy proposal was not acted upon and ultimately was overcome by events, principally by some parallel studies undertaken by the Metropolitan Washington Council of Governments (COG). Following completion of the COG work in early 1976, FAA renewed its work on the policy matter.

In 1977, the Department of Transportation made the issuance of a new policy a top priority. Extensive analytical papers discussing alternatives to each provision were prepared by the FAA and UMTA and reviewed by Office of the Secretary staff. The then-Secretary Goldschmidt selected the elements of the policy and they were issued in a Notice of Proposed Rulemaking on January 21, 1980. After a 60-day comment period and several days of public hearings, further review and discussion occurred and the Secretary settled on the final terms of the proposed policy. His decision was announced August 15, 1980, and a formal policy decision and implementing rules were published September 18, 1980. The policy was scheduled to go into effect on January 5, 1981. However, following action by the U.S. Senate to postpone the reduction of slots at National until April 26, 1981, the implementation date for the entire policy was postponed until April 26, 1981.

On February 27, 1981, Secretary Drew Lewis formally proposed a 6-month delay in the effective date of the policy to provide time for a thorough review of its provisions. The proposal to delay implementation of the policy until October 25, 1981, was adopted on March 24, 1981.

The significant issues which are being reviewed include the flying of wide-body aircraft into National Airport, the number of available commercial aviation slots, the imposition of new noise-related curfews, and a 1,000-mile limit on flights to and from National.

We expect that any changes to the provisions of the policy will be developed by July 1981.

Senator Andrews: Your budget request is very restrictive with regard to hiring controllers and police and fire personnel at the Washington Metropolitan Area Airports. Do you anticipate that a reduction-in-force may become necessary in other FAA activities in order to prevent a deleterious impact on aviation safety?

Mr. Weithoner: We estimate 850 separations in FAA due to RIF by September 29. Of these, 33 are in the aviation safety area. None of these are police, firefighters, or controllers at the Washington Metropolitan Area Airports. If the number of RIF's taken outside the aviation safety area were less, it would be necessary to RIF more in the aviation safety area. To this extent, RIF's in other FAA activities prevent a deleterious impact on aviation safety.

PERIMETER RULE AT WASHINGTON NATIONAL AIRPORT

Senator Andrews: Cities outside the proposed 1,000 mile perimeter rule, such as Dallas, Ft. Worth and Houston, feel such a rule is discriminatory in denying them access to a more convenient airport which saves them considerable time and expense. Why deny nonstop service to such hub airports as Dallas/Ft. Worth when passengers traveling to other major hubs such as St. Louis, Chicago and Atlanta have the benefit of direct service to those hubs?

Mr. Safeer: The 1,000 mile perimeter rule incorporated in the Metropolitan Washington Airport Policy planned for implementation on January 1, 1981, is a relaxation of prior practice. In the past, airlines had voluntarily restricted flights to a 650 mile perimeter (with a few exceptions).

The 1,000 mile perimeter rule is now being reviewed along with all other elements of the proposed Washington Metropolitan Airport Policy by the Secretary. A decision on implementation of the policy will be made by October 1981.

Senator Andrews: I understand that the City of Houston has this matter before the Fifth Circuit Court and that American Airlines has asked the same U.S. Court of Appeals to declare unconstitutional a perimeter rule. The perimeter rule is unique in that no other airport in the U.S. is bound by such a regulation. How do you explain this action to such cities as Dallas, Ft. Worth and Houston?

Mr. Safeer: The 1,000 mile perimeter rule is now being reviewed along with all other elements of the proposed Washington Metropolitan Airport Policy by the Secretary. A decision on implementation of the policy will be made by October 1981.

STAFFING

Senator Andrews: How does the historical rate of growth in the number of air traffic controllers compare with the rate of growth in traffic?

Mr. Safeer: The historical rate of growth of air traffic controllers has been about one-third the rate of growth in traffic. Over the 1971 to 1980 time period, the total number of aircraft operations at FAA towered airports increased from 54.2 million to 66.2 million. This amounts to a 22 percent increase in workload, averaging about 2.2 percent per year. Over this same time period, the number of air traffic controllers increased from 25,186 to 27,152. This was a total increase of 7.2 percent, averaging 0.8 percent per year. The average number of operations per controller increased from 2,152 to 2,438 per year. Thus, average productivity per controller has increased approximately 1.3 percent per year.

STAFFING

Senator Andrews: Explain why the number of positions shown in the base year of your budget request is different from the amount approved by Congress for fiscal year 1981?

Mr. Weithoner: This budget request reflects 54,071 direct full-time permanent positions for fiscal year 1981, a decrease of 3,341 positions from the 1981 Congressional approved total of 57,412. These position reductions will be achieved through management and organizational improvements as follows:

In March 1981, the FAA produced a new, revised, forecast of air traffic activity. Preliminary application of staffing standards against the lower forecast results in a reduced requirement for controllers.

Facility overhead staffing can be reduced as a result of a study completed in late 1980.

By closing the less efficient facilities and part-timing those which have light workloads during certain hours, preliminary estimates reflect position savings.

Revised maintenance practices, new technical inspection techniques, consolidating field maintenance sectors, technical changes in certain equipment as well as increased use of contractual support will reduce staffing.

A study of flight inspection activities indicates that the inspection, from the air, of our navigational equipment and landing aids can be reduced without any impact on safety.

Based on the projected defederalization of airports and the establishment of bloc grants for some states, position savings will be realized.

The airlines and airport operators are carrying out their responsibilities in the anti-hijacking program, and we believe this program can be reduced because it has matured and no longer needs the level of Federal support it required in earlier days.

Reductions in level of effort devoted to general administrative direction/overhead--no studies made--simply a judgement that we can do the job with fewer people.

Training workload estimates are that we can reduce the number of instructors and other personnel involved in non-air traffic subjects at our academy.

Reductions in personnel involved in supply, materiel and plant maintenance can be achieved by reducing the effort in groundskeeping and maintenance and consolidation of administrative organizations.

CONTROLLER PRODUCTIVITY

Senator Andrews: How much more traffic can an individual controller handle in view of the numerous automated system improvements over the last few years? Have you taken a look at this?

Mr. Bispo: En route automation (NAS Stage A) enabled center controllers to accommodate average annual activity increases of 6 percent per year between 1974 and 1979 without increasing staffing. Productivity increases directly attributable to automation were between 15 and 20 percent. At our automated terminal facilities ARTS III automation increased the controller's traffic handling capability by about 12 percent. Definitive productivity studies have not been done for ARTS II, but we estimate productivity savings to be slightly lower than for ARTS III.

Senator Andrews: How do the number of positions and people for air traffic control compare with 10 years ago? How does the workload compare?

Mr. Bispo: We had an 18 percent increase in positions and a 19 percent increase in our employment from 1970 to 1980. During this period we had a 41 percent increase in activity at our facilities.

FACILITY DOWNGRADES

Senator Andrews: Describe for the Committee what actions you have taken in the past several years in regard to downgrading personnel.

Mr. Bispo: In the past 4 years eleven facilities have been reclassified downward, this includes six terminals and five flight service stations. As of January 19, all downgrading actions have been deferred pending an in-depth review of forecasted aviation activity over the next 5 years.

Senator Andrews: What has been the impact of this on the timeliness and quality of your agencies activities? Provide workload and performance indicators to substantiate your response.

Mr. Bispo: At those locations where downgrade action has been taken there has been no impact on safety or services to the user. An increase in the number of employees indicating interest in relocating normally occurs in cases like this, however, it is usually by those concerned with career advancement. The Office of Personnel Management allows for 2-year pay retention in downgrade actions. In addition, affected employees are given first choice on like and similar vacancies at other facilities as they become available. This reduces the overall impact on morale. The classification standard provides for preventing unwarranted grade level fluctuations by taking action to change grades only when it can be reasonably established that aircraft activity level changes are permanent. All calculations are based on a 12-consecutive-month period and the probability of permancy is based on a 12-month projection.

AIR TRAFFIC ACTIVITY POSITIONS

Senator Andrews: How many air traffic controllers do you currently have on board, how many positions are authorized, what are your proposed changes for FY 81, how many positions were included in President Carter's FY '82 Budget, and how many positions are recommended in President Reagan's 1982 budget request?

Mr. Bispo: I'll provide that information for the record.

[The information follows:]

	Centers	Terminals	Flight Services Stations	All Other	Total
On-Board (2/28/81)	10,558	11,793	4,892	824	28,067
Authorized FY 1981	11,688	12,653	5,068	889	30,298
Amended FY 1981	11,158	12,583	4,819	845	29,405
President Carter FY 1982	11,516	13,025	5,068	881	30,490
President Reagan FY 1982	11,170	12,571	4,660	810	29,211

Senator Andrews: How many of your air traffic controllers left last year on various grounds of medical disability?

Mr. Bispo. In FY 1980, 163 controllers retired on medical disability in the center and tower options.

SECOND CAREER TRAINING

Senator Andrews: What percentage of the people who started out in your Second Career Training Program ever ended up in the profession for which they were allegedly trained?

Mr. Weithoner: GAO estimated in their June 1978 study that 7% of those who completed second career training were employed in the career field they were trained in.

Senator Andrews: In last year's testimony you calculated that everything included (Training of a new controller, moving controllers from one facility to another, and so forth), every controller that left your workforce at the GS-14 was costing you $370,000 per exit. Is that figure still accurate?

Mr. Weithoner: Our estimates for FY 81 indicate that the cost for GS-14 level controllers is approximately unchanged from last year.

OPERATIONS - REDUCTION IN PERSONNEL

Senator Andrews: Do you have enough staff to ensure that commuter aircraft are safe and adequately maintained?

Mr. Luffsey: Yes sir, we believe we do. The initial impact of airline deregulation and the implementation of FAR Part 135 is now behind us. We believe our 1982 request is adequate for our needs.

FAA REGIONAL STRUCTURE

Senator Andrews: How many FAA regions do you now have and what is the rationale for this number and structure? Include a history of your regional structure and tell us if you could propose any changes to improve performance or reduce costs. What overhead savings could be achieved through consolidation?

Mr. Weithoner: The Federal Aviation Administration has nine contiguous regions, the Alaskan Region and the Pacific-Asia Region, a total of eleven regions. In place since 1971, this regional structure conforms generally to President Nixon's plan for a common pattern of Federal regional boundaries and regional headquarters. This stemmed from the 1969 plan for 10 standard Federal regions, encompassing all States, to simplify and facilitate the process of serving the public in matters cutting across Departmental or agency lines. FAA had six regions from the time of its creation in 1958 to 1962. A seventh region was added at that time. The 7-region structure remained in effect until 1971 when the 11 regions were established. No specific overall regional organization changes are being proposed at this time.

OPERATIONS VS. F&E

Senator Andrews: How would you compare the relative contribution to the safety of airport and airway systems users of operational activities, such as air traffic controllers, and facilities and equipment, such as instrument landing systems? Explain how your budget request reflects your view of such relative priorities, especially in regard to air traffic controllers.

Mr. Safeer: It is not possible to separate the safety associated with installation of equipment (radars, ILS's, etc.) from its operation. There is no way, therefore, to determine whether installing a radar or hiring an air traffic controller to use that radar to separate aircraft makes a greater contribution to safety. Both are necessary. Similarly, an ILS is of no value unless there are maintenance personnel to keep it operating and inspectors to assure that it remains properly calibrated.

In determining whether or not to install facilities, we generally require that the benefits exceed the cost of installation, operation, and maintenance over the expected life of the equipment. Among the benefits we estimate are contributions to safety.

Benefits vary from location to location depending upon the type of traffic, terrain, other installed facilities, and similar factors. Once benefits are estimated, each individual installation is evaluated on its own merits and the final mix of equipment recommended represents the most cost-effective use of Federal monies.

Requests for air traffic controllers are designed to adequately staff existing and planned facilities. These requests are based on engineered staffing standards which compare the actual or projected activity, hour-by-hour, sector-by-sector, to the amount of traffic each controller can handle at an average pace level. The standards then determine total facility staffing requirements, allowing for leave, breaks, training, etc.

FULL FUNDING CONCEPT

Senator Andrews: Please explain your "full funding concept" in regard to Facilities and Equipment Appropriation, and tell us whether, in your view, the current environment of fiscal restraints suggests that the time has come to drop the full funding concept.

Mr. Bispo: The full funding concept is to request funds in one budget year to do a complete program or project. No subsequent funding is required to provide a useable equipment or facility. Full funding is a good concept, especially in times of fiscal restraint, since the full dimensions and costs of any item is known by the Congress and the public when it is first presented for funding. Full funding also improves many aspects of management such as minimizing delays since all funds are available. It also increases contractor interest in the procurement phase since contractors know that the project is funded and will be carried through to completion.

The General Accounting Office has endorsed the full funding concept. They have pointed out, in their reports on this subject, that the full funding concept improves many aspects of management; minimizes construction delays; facilitates better budget estimates; and provides cost savings in conjunction with multi-year contracting. The GAO has also stated that full funding strengthens the Congressional decision-making process and increases the Congress' initial control and oversight over total spending and outlays consistent with the objectives of the Budget Control Act of 1974.

F&E FACILITIES

Senator Andrews: In your 1982 request, what major new systems or facilities will be installed?

Mr. Bispo: In our FY 1982 Facilities and Equipment request we have the following major new systems or facilities:

	Number
Air Route Surveillance Radar (ARSR)	1
Airport Traffic Control Tower	1
Instrument Landing Systems	31

Senator Andrews: Any ASRs, ILSs or towers which qualify but are not funded? Where?

Mr. Bispo: Yes, we have 6 towers and 2 ASRs qualifiers that are not funded. We will provide the locations for the record.

(the information follows:)

Towers

Dillingham, AK
Kotzebue, AK
Anoka County, MN
Galveston, TX
Prescott, AZ
Mesa, AZ

ASRs

Kona, HA
Lihue, HA

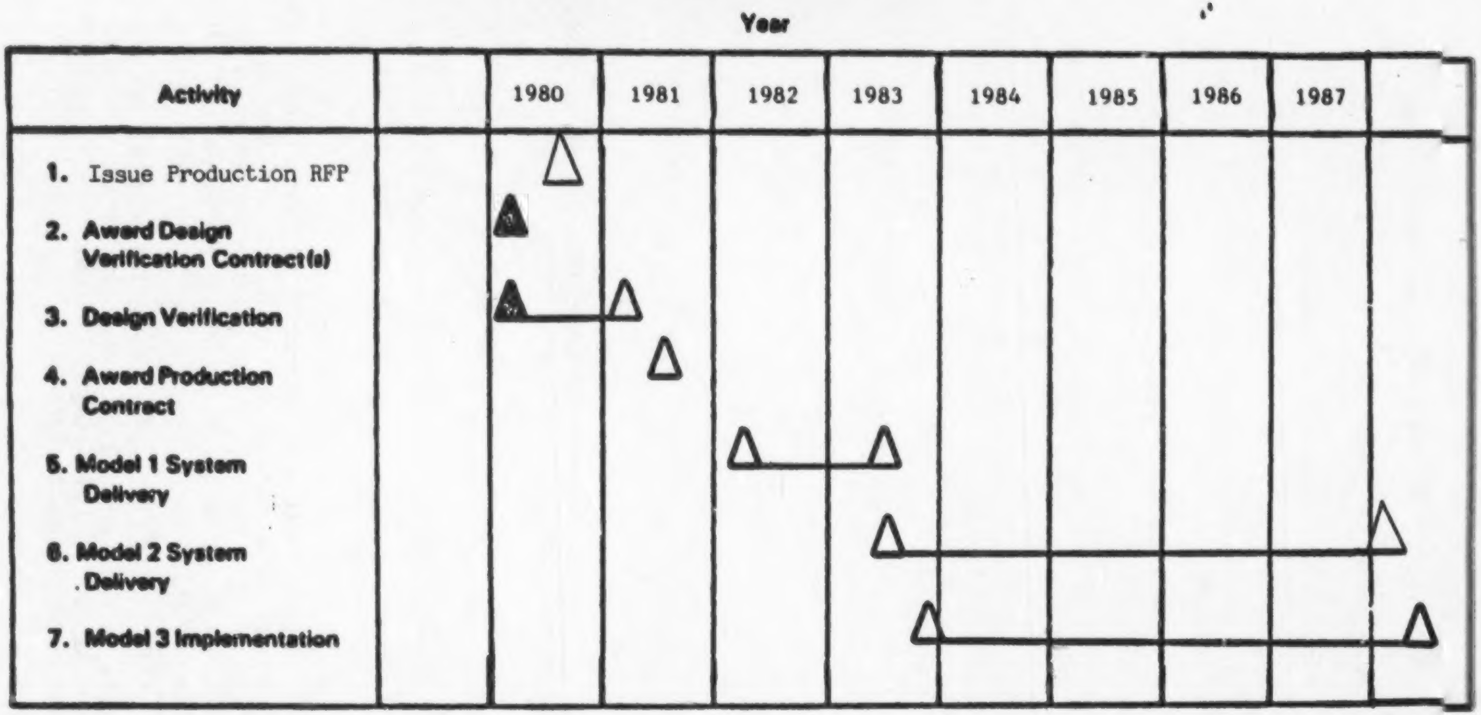
FLIGHT SERVICE STATIONS

Senator Andrews: What is the total estimated cost of your Flight Service Station Modernization Program and how much have you obligated to date? Please include for the record a program schedule for implementation of this program.

Mr. Bispo: The estimated cost of the Flight Service Station Modernization Program is $495 million in F&E and $39 million in R&D for a total of $534 million; $29.1 million has been obligated as of March 31, 1981. A copy of the program schedule will be provided for the record.

(the information follows:)

Flight Service Station Automation Program Schedule



Senator Andrews: What is the current status of this program, including construction of new buildings?

Mr. Bispo: The one year design verification contractual effort was completed in January 1981. Currently, negotiations are underway in anticipation of a production contract award in July 1981.

Site preparation at the 41 selected level III flight service stations to receive Model 1 is in progress. The standard design for the Model 2 automated FAA buildings has been completed. The FAA regions have begun site selection at the 9 locations requested in the FY 82 budget.

Senator Andrews: Detail for the record your fiscal 1982 budget request for this program.

Mr. Bispo: We will provide this information for the record. (the information follows:)

The fiscal 1982 budget request for the automation and building portion of FSS submission provides funds for the following:

AUTOMATION		
. Model 2 & 3 Systems Procurement/Site Preparation/Installation		$27,500,000
. Engineering Support		5,000,000
		$32,500,000
BUILDINGS		
. 9 Buildings		$17,300,000
	Total	$49,800,000

Senator Andrews: Who are the fly-off contractors who are competing for the production contract?

Mr. Bispo: The three contractors who were awarded design verification contracts were:

E-System, Dallas, Texas, Ford Aerospace & Communications Corporation, Palo Alto, California; and Logicon, Incorporated, San Diego, California.

Senator Andrews: Information at hand indicates that the documents for a contractor's qualifications determination have been on the desk of the department's source selection officer for about 30 to 40 days with no action being taken. What is the reason for this delay?

Mr. Bispo: The source selection official determined March 16, 1981, that the competitive range for the production contract negotiations includes only E-Systems, and Ford Aerospace and Communications Corporation.

Senator Andrews: How does this delay affect the modernization effort?

Mr. Bispo: The time taken to make the competitive range determination did not significantly affect the award date of the production contract.

Senator Andrews: On what date do you plan to award the contract for the Flight Service Station production model?

Mr. Bispo: We plan to award the production contract in July 1981.

Senator Andrews: Are air traffic control specialists at flight service stations threatening to strike as are some air traffic control specialists?

Mr. Trent: There are no indications that FAA's flight service station specialists will participate in or support any strike action.

AIR TRAFFIC CONTROL PROCEDURES

Senator Andrews: In testimony, the Federal Aviation Administration frequently uses the terms "control and separation" in describing the duties of air traffic control specialists at centers and towers. These are strong words and leave the impression that the aircraft pilot is not involved at all. Is it not a fact that no personnel on the ground control and separate aircraft but that the function is reserved and assigned to the pilot in command and that information from the ground is of an advisory nature only? If that is not a fact, please give detailed examples of ground commands to aircraft pilots that are mandatory, absolute and there is no recourse on the part of the pilot in command.

Mr. Bispo: No, that is not completely correct, an air traffic control clearance is "an authorization by air traffic control, for the purpose of assuring safe separation between known aircraft, for an aircraft to proceed under specified traffic conditions within controlled airspace." It is not authorization for a pilot to deviate from any rule, regulation or minimum altitude, or to conduct unsafe operation of his aircraft. The pilot in command is directly responsible for, and is final authority as to the operation of that aircraft. If air traffic control issues a clearance that would cause a pilot to deviate from a rule or regulation, or in the pilots opinion, would place the aircraft in jeopardy, it is the pilots responsibility to request an amended clearance. In summary, the pilot in command has the final authority for his individual aircraft. The air traffic control system has the responsibility and authority to issue control instructions to aircraft to insure a safe, orderly and expeditious movement of all aircraft operating under its control.

FSS WORKLOAD

Senator Andrews: What has been the increase in workload at flight service stations over the past 15 years and how does that compare with the increase in staff over the same period of time?

Mr. Bispo: In 1965, our flight service stations and combined station/towers had 24.5 million flight services and in 1980 they had 64.3 million which is a 162 percent increase in activity. During the same period our personnel increased from 4,458 to 5,035 which is less than a 13 percent increase.

FACILITIES, ENGINEERING AND DEVELOPMENT

Senator Andrews: Your budget request proposes the deletion of the F,E&D appropriation. Describe your policy rationale for this and detail for the record those activities which have previously been funded under the F,E&D appropriation and tell us under which accounts you propose funding them in fiscal 1982.

Mr Trent: The program consolidations are supported by the proposed Airport/Airway Improvement Act of 1981 and is predicated on the belief that system users must bear the full cost of the national air transportation system including the cost of environmental and aircraft safety efforts. This proposal will broaden the use of the Trust Fund and permit the inclusion of programs previously funded from general funds. The combined appropriations will facilitate improved fiscal management, reduce the number of accounts and the associate workload in maintaining such an account.

The F,E&D appropriation consisted of two budget activities. The first activity was Engineering and Development. It financed the FAA's aircraft safety, aviation medicine, and environmental programs. It is proposed that these efforts be financed, commencing FY 1982, under the Research, Engineering and Development (R,E&D) Trust appropriation. The new method of financing the aircraft safety and environmental programs under the R,E&D appropriation will necessitate the addition of two new budget activities and the aviation medicine efforts are combined with the existing aviation medicine activity. The new financing method will add $14,530,000 for aircraft safety, $2,530,000 for aviation medicine, and $2,750,000 for environmental efforts. The second budget activity was Facilities and Equipment. This is the activity that financed capital expenditures such as the purchase of training equipment used primarily by operation inspectors or the procurement and modification of nonflight inspection aircraft. It also provided for the procurement of other items such as explosive detection devices. Under the new proposed financing method, such items will be provided in the future under the Facilities and Equipment Trust appropriation. The amount requested for these types of items in FY 1982 is $1,690,000.

VALIDATION OF TECHNICAL AND OPERATIONAL REQUIREMENTS

Senator Andrews: What is your request for "Validation of technical/operational requirements of future ATC System"? What is the purpose of this activity and its relative priority?

Mr. Albrecht: Our request amounts to $5,524,000 for work to be performed during FY-1982.

The validation of technical and operational requirements is an integral part of the agency's advanced systems development program. Its main purpose is to provide long-term planning by formulating, defining, and validating system requirements for the post-1990 National Airspace System. In this regard, it provides the initial identification of system deficiencies, considers future forecasts of demand, and considers requirements from various sources, internal and external to the agency, ascertains their validity in terms of air traffic control, and resolves conflicts. Additionally, this effort includes the analysis and consideration of economic and operational benefits as well as systems interface and integration.

This work is of relatively high priority since its products are the forerunner for the development and establishment of major engineering and development programs.

LEGISLATION

Senator Andrews: With regard to your proposed legislation, please provide for the record complete details on each of the packages and issues that will be facing the Congress this year.

Mr. Trent: Major differences among the Administration, House, and Senate bills which are facing the Congress include:

Defederalization. The Senate proposes to defederalize the 69 largest airports; the Administration would defederalize 41; and the House none.

O&M from Trust Fund. The House and Senate bills would sharply limit operations and maintenance expenditures from the Trust Fund. The Administration believes, and our bill proposes, that the Trust Fund finance fully allocated user costs.

O&M Reductions. The House and Senate bills would reduce O&M payments from the Trust Fund as a function of reduced capital expenditures. The Administration bill would not.

Block Grants. The Senate and Administration bill would allow state administration of general aviation grants. The House bill would not.

Primary Hubs. The House bill introduces and funds airports in a primary hub. The Administration and Senate bills, consistent with defederalization, have no such concept.

Federal Share. The Administration would permit a 75 percent Federal share of project costs. Both the House and Senate bills permit 90 percent at smaller airports.

Categorical Conditions. The House bill earmarks specific minimum funding for environmental purposes, certain landing aids, heliports, airport planning and similar matters. The Senate and Administration bills have no such categories.

Transmittal of Budget Estimates. The House bill requires the FAA Administrator concurrently to transmit to interested Congressional committees copies of budget or legislative information submitted to the Secretary, the President, or the Office of Management and Budget. The Senate and Administration bills have no such requirement.

Closing or Part-Time Operation of Flight Service Stations. The House bill limits FSS closures to five prior to Oct. 1, 1983, and permits additional closures after that time only under specific conditions. The House bill also allows part-time operation of no more than 60 existing FSSs during this same period. The Senate and Administration bills have no such provisions.

Senator Andrews: Please explain how the enplanement formula in the most recent Act results in large airports getting more of the funds available through the apportionment process.

Mr. Mudd: The distribution of funds to airport sponsors is based on the total enplanements at the individual airports. Therefore, these busier airports receive the greater share. For example, the top 41 airports enplaned about 76 percent of the Nation's total revenue passengers in FY 79.

Senator Andrews: Please outline for the record your specific proposals in regard to aviation user charges.

Mr. Trent: The Administration's specific aviation user charge proposals are as follows:

Passenger Ticket Tax	6.5 Percent
Waybill Tax	5 Percent
International Departure Tax	$3/person
Tire and Tube Tax	5¢ and 10¢/lb respectively
Fuel Tax (General Aviation):	

	FY-82	FY-83	FY-84	FY-85	FY-86
Av Gas	12¢/Gal	18¢	24¢	30¢	36¢
Other Fuel	20¢/Gal	35¢	50¢	58¢	65¢

Senator Andrews: What are the provisions of your proposed legislation relating to the provision of greater funding availability for small and reliever airports?

Mr. Mudd: Our proposal will provide for annual minimum funding levels of 10 percent or $45 million in FY 81 and 82; 11 percent or about $50 million in FY 83 and 84; and 12 percent or $54 million in FY 85 and 86 for reliever airport development. These amounts are twice the minimum funding available to reliever airports under previous legislation which was $20 million in FY 1980. Although no specific funds are set aside for exclusive use at small airports, these airports will be able to compete for State apportionment and discretionary funds totaling $215 million or 48% out of our proposed $450 million annual program. This compares to the availability of less than 15 percent of total funding for general aviation needs under previous legislation.

Senator Andrews: Do you anticipate that a greater absolute or proportional amount of funding will go to general aviation and reliever airports under your proposed legislation?

Mr. Mudd: As previously stated, annual funds amounting to at least twice the minimum funding available under prior programs will be used for reliever airport development. Other general aviation facilities should also benefit from the increased amounts apportioned to the states over the levels in previous legislation. Although the state apportionment is available for both commercial service and general aviation airports, general aviation is often a predominate user at even commercial service locations.

Senator Andrews: Please detail the Administration's cost allocation policy for the record, and include the impact on aviation users and how your policy differs from past policies.

Mr. Trent: The Administration's cost allocation policy is that aviation system users should pay for services received. The general taxpayer should support only those costs directly associated with military and Government flying. Specifically, costs should be allocated as follows: Air Carrier, 58 percent; General Aviation, 27 percent; Public/Military, 14 percent; and Metropolitan Washington Airports, 1 percent.

This policy differs little from that proposed by the previous Administration. The primary impact of such a policy would fall on general aviation users, particularly the more sophisticated (turboprop and turbojet) users, who would pay significantly higher taxes. Air carrier passenger ticket taxes would increase only slightly, from the present 5 percent to 6.5 percent, still less than the 8 percent rate in effect as late as September 30, 1980.

GRANTS-IN-AID FOR AIRPORTS

Senator Andrews: Your budget proposes a 38 percent decrease in airport grants compared with President Carter's fiscal year 1981 proposal. What proportion of this decrease relates to elimination of the 21 largest airports from eligibility for grants?

Mr. Mudd: Well over half of the decrease is attributable to elimination of the top 21 airports. For FY 1981, if they were not eliminated, they would be apportioned approximately $112 million and would receive an estimated $37 million additional from the discretionary fund for a total estimated cost to the program of $149 million.

Senator Andrews: Under Grants-in-Aid for Airports, your budget requests liquidating cash of $481,000,000, a decrease of $114,000,000 below the FY 81 level. Does this assume enactment of a new authorizing legislation by July 1, 1981? Provide a table for the record reflecting a series of other assumed dates for enactment of authorizing legislation and the impact each of those dates would have on your need for liquidating cash.

Mr. Mudd: Our budget assumes enactment of new authorizing legislation July 1, 1981. I will provide the table as you request.

LIQUIDATING CASH

Assumed Dates of Enactment for New Authorizing Legislation	FY 1982 Liquidating Cash Request * ($ in millions)
June 1, 1981	$536
July 1, 1981	481
August 1, 1981	450
September 1, 1981	416
October 1, 1981	395

* The various cash scenarios relate to the Administration's legislative proposal which does not provide for the carryover of unobligated balances.

Senator Andrews: Specifically, how do you propose proceeding in the defederalization of the airport development aid program?

Mr. Trent: Our defederalization proposal consists of nothing more than the loss of eligibility for Federal airport grant funds. The top 21 airports would lose eligibility immediately and the next 20 airports would lose eligibility at the end of FY 82. This loss of eligibility would be compensated for by removal of the "head tax prohibition." Additionally, we would afford capable state governments the opportunity to administer grants to general aviation and small commercial airports, thus minimizing Federal involvement.

Senator Andrews: Please identify for the record the 21 largest airports in the country which would lose eligibility for Federal financial assistance under the airport grant program in accordance with your legislative proposal, and also the next 20 largest airports which would lose eligibility after Fiscal Year 1982.

Mr. Trent: 21 largest airports:

Chicago-O'Hare International
The William B. Hartsfield Atlanta International
Los Angeles International
John F. Kennedy International
San Francisco International
Dallas-Fort Worth Regional
Miami International
Stapleton International
La Guardia
General Edward Lawrence Logan International
Honolulu International
Washington National
Detroit Metropolitan Wayne County
Lambert-Saint Louis International
Greater Pittsburgh International
Houston Intercontinental
McCarran International
Seattle-Tacoma International
Philadelphia International
Minneapolis-Saint Paul International/Wold-Chamberlain
Newark International

20 next largest airports:

Tampa International
Cleveland-Hopkins International
Phoenix Sky Harbor International
San Diego International-Lindbergh Field
New Orleans International/Moisant Field
Orlando International
Kansas City International
Fort Lauderdale-Hollywood International
Puerto Rico International
Memphis International
Portland International
Salt Lake City International
Baltimore-Washington International
San Jose Municipal
Indianapolis International
Greater Buffalo International
General Mitchell Field
Dulles International
Bradley International
Greater Cincinnati International

ATLANTIC CITY MUNICIPAL AIRPORT

Senator Andrews: A recent headline proclaimed, "FAA prepared to swap land to aid Atlantic City gambling." Apparently involved are construction of a new runway, extension and rehabilitation of an existing runway, relocation of Atlantic City's Municipal Airport Terminal, the rerouting of a major highway, and at least 48 million dollars. Please explain.

Mr. Albrecht: This is definitely not true. FAA has prepared a master plan for the development of the Technical Center's airport which is also the Atlantic City Municipal Airport. The planners found that the existing Municipal Terminal Building would eventually not be able to handle the traffic and that expansion at the present location on county land, was not practicable. The plan, therefore, calls for the trading of 25 acres of county land, the site of the current terminal facility, for 25 acres of Technical Center's land at a more appropriate location. The requirement for relocation of the terminal building is still several years away.

INTERNATIONAL SECURITY CHARGES

Senator Andrews: In 1976, the Airport and Airways Development bill called for the reimbursement of international security charges to those U.S. international carriers which were unable to otherwise recover their costs from their domestic surcharges. I understand that, to date, no payment has been made. Would you please bring this Committee up-to-date on what the Agency has done to fulfill its obligations to the carriers?

Mr. Luffsey: The regulation setting forth the procedures for submitting claims became effective August 27, 1980. Deadline for submission of claims is July 1, 1981. To date only two claims have been received. Pan American Airways has filed a claim for $6,432,985, and Trans World Airlines has filed a claim for $3,489,560. Funding necessary for payments will be requested after all claims are received and validated.

Senator Andrews: Since the independent study which the FAA commissioned concluded that the Secretary is required to make this reimbursement, what steps have been taken to meet this obligation? Have you ever requested the funds be appropriated?

Mr. Luffsey: The independent study concluded that the law requires the Secretary to reimburse the certificated air carriers for the "amount expended" for security screening of passengers moving in foreign air transportation less the amount of any profits derived from domestic screening operations. FAA issued a regulation on July 22, 1980, providing for submission of claims and related audit procedures. Any request for appropriation of funds will be initiated when we know the amount eligible for reimbursement.

Senator Andrews: I understand you have published your regulations for compensation and that at least two carriers have applied for reimbursement. Can you tell me of the $9.75 million authorized to be taken from the trust fund, how much have you received in compensation requests from the carriers?

Mr. Luffsey: Yes, the total to date is $9,922,545, requested by two air carriers, Pan American Airways and Trans World Airlines.

Senator Andrews: Why then have you not requested funding for this in Fiscal 1982?

Mr. Luffsey: We plan to have all claims in hand by July 1, 1981. All claims will be subjected to independent audit. After we know the amount eligible for reimbursement, a request for funding will be initiated.

ENFORCEMENT VIOLATIONS

Senator Andrews: Provide for the record the number and percent of DC-9 air carrier operational enforcement violations versus all air carrier aircraft violations for each of the years 1969 through 1979.

Mr. Luffsey: The number and percent of DC-9 air carrier operational enforcement violations versus all air carrier aircraft violations for each of the years 1969 through 1979 are shown by the following Table 1 tabulation.

Table 1

AIR CARRIER AIRCRAFT ENFORCEMENT VIOLATIONS FILED

(MAINTENANCE & OPERATIONS)

1969-1979

Calendar Year	Total Number Filed	Total Operational Filed	% Operational Filed	No. DC-9 Operational Filed	% DC-9 Operational To Total Operational Filed
1969	978	470	48.1	57	12.1
1970	863	435	50.4	48	11.0
1971	762	382	50.1	23	6.0
1972	425	244	57.4	35	14.3
1973	1,078	689	63.9	66	9.6
1974	840	518	61.7	57	11.0
1975	825	483	58.5	41	8.5
1976	689	382	55.4	60	15.7
1977	631	336	53.2	68	20.2
1978	624	328	52.6	35	10.7
1979	721	373	51.7	45	12.1
TOTALS	8,436	4,640	55.0	535	11.5

Data Source: "Enforcement Activity," RIS-FS-8030-4

Prepared by: ASP-200, 4/1/81

NEAR MID-AIR COLLISIONS

Senator Andrews: Also provide a table for the record showing for each of the last six years, the total number of near mid-air collisions, the percent of air carrier aircraft involvement in such incidents, the percent of two-crew air carrier aircraft involved in such incidents, the percent of DC-9 crews among the two-crew aircraft involved in such incidents, and the percent of B-737 crews involved in such incidents.

Mr. Luffsey: For the record, the following Table 2 shows, for each of the last six years, the total number of near mid-air collisions (NMAC's), the percent of air carrier aircraft involvement in such incidents, the percent of two-crew air carrier aircraft (DC-9 and B-737 only) involved in such incidents, the percent of DC-9 crews among the two-crew aircraft involved in such incidents, and the percent of B-737 crews involved in such incidents (for both 2-man and 3-man crew operations). Table 2A provides summary operational data showing the percentages of 2-man aircraft crew departures (DC-9 and B-737) of total air carrier departures.

TABLE 2

SUMMARY OF NEAR MID-AIR COLLISIONS AND THOSE INVOLVING THE DC-9 AND B-737 AIRCRAFT

1975 - 1980

Cal. Year	Total No. NMAC's	Total No. Air Carrier NMAC's	% Air Carrier	1/ No. NMAC's 2-Man Aircraft	% 2-Man Air Carrier NMACS vs. Total Air Carrier	No. NMAC's DC-9 Aircraft	% DC-9 NMAC's vs. Total Air Carrier NMAC's	2/ No. NMAC's B-737 (2-man) Aircraft	% B-737 (2-Man) NMAC's vs. Total Air Carrier NMAC's	2/ No. NMAC's B-737 (3-man) Aircraft	% B-737 NMAC's 3-Man vs. Total NMAC's Air Carrier
1975	268	79	29.5	16	20.2	12	15.2	4	5.1	3	3.8
1976	373	116	31.1	29	25.0	25	21.5	4	3.4	3	2.6
1977	384	89	23.2	19	21.3	15	16.8	4	4.5	2	2.2
1978	505	137	27.1	33 3/	24.1	25	18.2	8 3/	5.8	3 3/	2.2
1979	540	146	27.0	27	18.5	14	9.6	13	8.9	6	4.1
1980	565	158	28.0	26	16.5	15	9.5	11	7.0	6	3.8
TOTALS	2635	725	27.5	150	20.7	106	14.6	44	6.1	23	3.2

1/ DC-9 and B-737 Aircraft Only

2/ 2-man, B-737 crews include all air carrier operations with exception of United Airlines and Western Airlines which flew with 3-man, B-737 crews during this entire period and Frontier Airlines which flew with 3-man, B-737 crews in 1975 and part of 1976.

3/ During 1978 one B-737 NMAC was recorded but the carrier identification is unknown. Therefore, this datum point is not included in either the 2-man or 3-man crew figures.

DATA SOURCE: FAA

PREPARED BY: ASF-200, 5/12/81

TABLE 2A.

Year	Total Air Carrier Departures	Total (DC-9/B-737) 2-man Departures	% 2-man Departures 1/ vs. Total Air Carrier Departures	% 2-man Air Carrier 1/ NMACS vs. Total Air Carrier NMACS
1975	4,745,434	1,227,481	25.9	20.2
1976	4,882,521	1,302,086	26.6	25.0
1977	4,988,145	1,362,831	27.3	21.3
1978	5,047,882	1,456,529	28.9	24.1
1979	5,307,981	1,491,168	28.1	18.5
1980	5,332,898	1,618,240	30.4	16.5
Totals	30,304,861	3,458,335	27.9	20.7

1/ DC-9 and B-737 2-man crew only.

CREW COMPLEMENT

Senator Andrews: Please provide for the record the charter of the President's Task Force on Aircraft Crew Complement along with a detailed history of that issue. The committee would appreciate receiving copies of that report immediately upon its completion.

Mr. Luffsey: The charter for the President's Task Force on Aircraft Crew Complement is contained in the White House memorandum dated March 5, 1981. A copy of the memorandum is attached for the record.

The detailed history of the issue is contained in a paper titled "THE CREW COMPLEMENT ON U.S. AIR TRANSPORTS: A CHRONOLOGY, 1962 - 1980," which is provided for the record. After the task force has completed its study, we will provide you with copies of the final report.

AIRCRAFT CERTIFICATION

Senator Andrews: With regard to your evaluation of the aircraft certification process, A "Blue Ribbon Panel," of 13 experts was established last year. What were the findings of the panel? What are your comments?

Mr. Luffsey: The findings of the "Blue Ribbon Panel" are contained in the form of recommendations which are summarized in Section III of the report, "FAA CERTIFICATION PROCEDURES: AN FAA PERSPECTIVE," signed by Secretary Neil Goldschmidt on January 15, 1981. This report is provided for the record. In addition, this report contains our comments in response to the "Blue Ribbon Panel" Report.

FLIGHT INSPECTION SIMULATOR

Senator Andrews. Provide a detailed justification of your need for a flight inspection simulator.

Mr. Luffsey. FAA has an ongoing requirement for flight inspection crew training. We feel it can be accomplished more effectively and realizing the greatest savings by the use of the flight inspection trainer. The use of this trainer will save more than 750,000 gallons of fuel annually. Also the trainer will permit the full-time use of our flight inspection aircraft to meet the ever increasing flight inspection requirements rather than for training purposes. Another efficient use of the trainer will be for Research and Development purposes which will improve computer program changes to aircraft automated flight programs and develop new flight inspection maneuvers and techniques. The trainer will also provide more effective flight inspection crew training by increasing crew coordination. Interrelated actions and intercommunications between the crew are essential in determining facility performance and the acceptability of navigational aids and airspace procedures. The safety aspects of a trainer versus training flights also increase crew training effectiveness by enabling the students and instructors to focus completely on the training process.

Senator Andrews. Have simulator manufacturers provided legitimate cost quotes for the type simulators you say you need? If they have, how recently and for what period are these quotes valid and do they include cost escalators?

Mr. Luffsey. In September 1979 a planning and budgetary estimate based on our requirements was received from one manufacturer which included a plus or minus 10 percent cost variance with delivery in 18 to 20 months. One well known manufacturer refused to provide this type information until we are ready to purchase.

Senator Andrews. How many flight inspection aircraft do you operate of the type that the simulator will duplicate?

Mr. Luffsey. The FAA operates 24 flight inspection aircraft of the type the trainer can duplicate.

Senator Andrews. How many gallons of fuel are consumed only for flight inspection crew training?

Mr. Luffsey. FAA uses more than 750,000 gallons of aviation fuel annually for flight inspection crew training.

Senator Andrews. How many hours per year do you anticipate using flight inspection aircraft simulator training? What is the basis of this figure?

Mr. Luffsey. At present we anticipate minimum annual usage of the trainer at 2709 hours based on a recent requirement study dated September, 1980. However, due to the features and versatility of the trainer being requested, we expect a significant increase usage of over 2709 hours annually.

Senator Andrews. When was the last time you released a request for proposal for a flight inspection simulator?

Mr. Luffsey. A formal request for planning and budgetary information for the flight inspection simulator was last issued in 1975. An informal request was made in mid 1979 which resulted in one response and a refusal from a well known source.

TRANSFER OF MR. POPE

Senator Andrews: Please detail for the record a complete explanation of the situation regarding Mr. James Pope, an employee of the FAA, and include his allegations of FAA errors in various programs, an explanation of why he was transferred to the opposite end of the country, and your response to his allegations.

Mr. Albrecht: Former Administrator Bond decided to reduce the Federal Aviation Administration (FAA) headquarters' staffing and to reassign positions from headquarters to field as part of a total reduction, some 800 positions. The Office of General Aviation was abolished and Mr. Pope was directly affected by this abolishment. He was legally reassigned to the Northwest Region. Upon arrival at the region, he did not receive duties and responsibilities commensurate with his grade or skill. This error has been corrected and Mr. Pope is properly assigned and contributes to the mission of the agency and to the region which he is assigned. He had been assigned to special projects, but he has agreed to a reassignment to the position of Aviation Safety Evaluation Officer in the Northwest Region's Appraisal and Planning Staff. We believe that his job will allow Mr. Pope to make meaningful contributions to the mission of the region and make effective use of his interests and background.

Mr. Pope's allegations concerning the use of 100 octane low-lead gasoline and FAA's collision avoidance and microwave landing system are well known and have been appropriately discussed and disposed of within the aviation community. First, let's deal with the collision avoidance matter.

The Congressional concerns for air safety and collision avoidance have resulted in numerous hours of hearings over a number of years. Congress understands the problem, issues and principal of collision avoidance such as Airborne Collision Avoidance System (ACAS) vs active Beacon based Collision Avoidance System (BCAS). Congress has exerted a great positive influence in encouraging the FAA to objectively develop a system that will work and assure that there will not be a mid-air collision. In addition, Congress is sensitive to all the circumstances and the critical technology factors which have resulted in the decision to go beyond ACAS. With the support of Congress, the FAA included as a design requirement a system that not only can see other aircraft around it or perform only a surveillance function such as ACAS, but a system that provided threat detection and threat resolution.

The BCAS decision has been made possible as the result of evolving technology, recognition of system user needs and utilizing the free flow of information from both within and from outside of the agency.

The ACAS Mr. Pope alludes to was fully tested by the FAA and the adoption of it versus a BCAS was examined by the aviation community at a large scale consultative conference in early 1976. The conference was attended by virtually the entire aviation community which included air carrier, industry, airline pilots, aviation manufacturers, and general aviation. The community strongly supported the development of BCAS. That decision has been examined on several occasions by Congressional Committees and has been the topic of many discussions with the aviation community for the past several years. The findings and recommendations have not changed. It is appropriate to note that the FAA has recently completed some very successful flight tests of BCAS equipments throughout the United States. The program is progressing in a very positive manner.

In 1975, the aviation fuel industry decided to discontinue production of 80 octane aviation gas (AVGAS) and produce 100 octane low-lead aviation gasoline (100LL) for the general aviation market. Grade 80 AVGAS contains 0.5 milliliters (m.l.) of lead per gallon while 100LL contains 2.0 m.l. of lead per gallon (4 times as much). Small piston engines originally developed to use Grade 80 were cleared by the engine manufacturers and the FAA to use 100LL but problems with valve erosion and spark plug fueling were experienced in service due to effects of the increased lead content.

The FAA initiated a Directed Safety Investigation (DSI) in 1976 to determine the extent of maintenance required as a result of using 100LL in engines originally certificated for use with Grade 80 AVGAS. This DSI was completed in January 1977 and showed that increased spark plug and valve maintenance was required when 100LL was used which was an economic factor and that a safety problem did not exist. The DSI report also indicated that no safety problem existed due to the aromatic content of 100LL AVGAS.

Operators of airplanes with 80 octane engines have learned how to operate and maintain such engines when using 100LL in accordance with manufacturers instructions and no further problems with 100LL have been reported during the last several years.

The Interim Standard Microwave Landing System (ISMLS) Mr. Pope discussed was, and is in fact, an Instrument Landing System (ILS) operating on microwave frequencies. It does not meet the operational requirements set forth by the Radio Technical Commission for Aeronautics (RTCA) for a precision approach landing aid which would overcome the limitations of the ILS type equipments. Nor will it meet the operational requirements of the International Civil Aviation Organization (ICAO) which adopted the FAA developed system as the international standard in 1978. Development of the civil versions of the MLS has been essentially completed and the military are progressing on schedule to adopt the system to its unique configuration requirements. Public comments were recently received on various strategies to effect the transition from today's ILS to tomorrow's microwave landing system (MLS). We anticipate having a transition plan available this summer.

STATUS OF TRUST FUND

Senator Andrews: What was the unobligated, uncommitted balance in the Trust Fund at the end of fiscal 1980? What is your estimate for the unobligated, uncommitted balance at the end of FY '81 and what are the assumptions upon which you base that estimate?

Mr. Plissner: The unobligated balance in the Airport and Airway Trust Fund at the end of fiscal year 1980 was $377 million and the uncommitted balance was $3.803 billion.

The unobligated and uncommitted balances at the end of fiscal year 1981 are estimated at $372 million and $2.879 billion respectively.

The estimated unobligated balance of $372 million was derived by taking the fiscal year 1981 beginning unobligated balance of $377 million and adding the program authorizations for Facilities and Equipment, $350 million; Operations, $525 million; Research, Engineering and Development, $85 million; and Grants-in-Aid for Airports, $450 million (assumes enactment of authorizing legislation); and subtracting $1.415 billion obligations estimated to be incurred in this budget.

The fiscal year 1981 beginning uncommitted balance of $3.803 billion will be reduced by program authorizations totalling $1.410 billion. This budget also assumes that the only revenue coming into the Trust Fund during fiscal year 1981 will be from interest earned on investments--$486 million. Based on the preceding data, the uncommitted balance is estimated to be $2.879 billion at the end of fiscal year 1981.

HIGH ALTITUDE POLLUTION PROGRAM

Senator Andrews: How much is included in your budget request for the High Altitude Pollution Program? This seems very similar to the Climatic Impact Assessment Program which was completed a number of years ago. How can you justify this continuing study? Considering the fiscal constraints with which we are faced, what sort of priority should this program be given?

Mr. Wesler: Of the $2,750,000 which we have requested in the Research, Engineering and Development Appropriation for environmental programs, $1,100,000 is included for the High Altitude Pollution Program. This is less than half of the $2,500,000 which was included in the January 1981 budget request for the High Altitude Pollution Program in Fiscal Year 1982.

The Climatic Impact Assessment Program was completed by the Department of Transportation in 1975, in response to Congressional direction to assess the environmental impact of future supersonic flight. Concurrently, the National Research Council conducted an independent study of the same issue. Both studies confirmed the earlier hypothesis that adverse environmental effects could result from the oxides of nitrogen emissions from large fleets of supersonic aircraft, and that high-altitude subsonic aircraft might have similar effects. There were sufficient uncertainties in these results, however, that direct actions to regulate aircraft emissions could not be justified. In order to reduce these uncertainties in the predicted effects of high altitude aircraft emissions, and to examine more completely the need for aircraft engine emissions limits, the FAA undertook the follow-on High Altitude Pollution Program.

The High Altitude Pollution Program was planned as an eight-year study, ending in Fiscal Year 1983, at a projected cost of approximately $32,000,000. As the study has progressed, the findings seem to confirm that foreseeable fleets of high-altitude commercial aircraft will have no measurable effect on the ozone content of the earth's atmosphere, and that no controls on engine emissions at cruise altitudes are needed, although considerable uncertainty still remains. The overall program has been cut back substantially, and is still scheduled to terminate in 1983 with a total cost of less than $15,000,000.

I believe that the program should be completed, at the reduced cost just noted. The study has provided valuable new understandings of the chemistry of the atmosphere, and the role which man-produced pollutants play in its quality. These data have proven highly valuable to other analyses of environmental pollutants, including those from spray cans, nitrogen fertilizers, and similar contaminants, which have an adverse effect on atmospheric ozone. The final two years of the study will allow the completion of ongoing projects, and the documentation of the results for future use, as new types of aircraft, new types of fuels and their association emissions, and new modes of operation are contemplated.

As I noted above, we have considered this program, in view of the budgetary constraints which we all face, and we have reduced the requested amount accordingly. At this reduced level, we recommend its funding.

NATIONAL INFORMATION PROCESSING SYSTEM

Senator Andrews: FAA plans to use dictation and word processing equipment at about 170 Flight Standards Field Offices to cut paperwork and improve efficiency--particularly, inspector efficiency. I understand that equipment has been tested at four locations. Did you measure the actual increases in productivity for field inspectors and clerical employees?

Mr. Luffsey. Information processing equipment was tested at four field offices in the Federal Aviation Administration's Southern Region. Evaluation teams measured an 18 percent increase in the productivity for field offices equipped with dictation and information processing equipment.

Senator Andrews: Was the equipment tested at each type of district office to be equipped?

Mr. Luffsey. No. The equipment was tested only at General Aviation District Offices.

Senator Andrews: Without actual before and after test measurements in each type of district office to be equipped, how can you be sure the benefits you anticipate will be realized?

Mr. Luffsey. As we have previously stated, evaluation teams measured an 18 percent increase in productivity at General Aviation District Offices equipped with dictation and information processing equipment. We plan to evaluate dictation and information processing equipment at selected Air Carrier District Offices (ACDOs), Engineering and Manufacturing Offices (EMDOs), and Civil Aviation Security Field Offices (CASFOs).

CONTRACTOR INDEMNIFICATION

Senator Andrews: How do you evaluate the desirability of extending P.L. 85-804 indemnification to the FAA, as has been done for FRA's Northeast Corridor improvement project?

Mr. Randall: Within the Department of Transportation, concern has been expressed that many of the more important manufacturers of electronics hardware and software will refrain from competing for future major Government projects because of legitimate misgivings about products liability issues. Products purchased by the Government are frequently used to perform widespread and continuous public safety functions; and, accordingly, the potential claimants in the event of an accident are numerous and the severity of potential damage is great. In short, the actual products liability risk assumed by a manufacturer of such equipment is much greater than the risk which accompanies the manufacturing of equipment for most commercial applications. In addition, many important representatives of the electronics and computer industries are expressing concern about the trend in recent judicial decisions to impose greater liability on manufacturers and vendors of products which are found to be defective; and about the potential impact of such decisions on the price and availability of liability insurance.

For these reasons, we are actively considering the question of whether some form of indemnification should be utilized in the procurement of electronic equipment and software for major safety applications.

R&D COORDINATION

Senator Andrews: To what extent do you involve technically qualified, independent, third parties (such as NASA and the National Academy of Sciences) in the research and development of future air traffic control systems?

Mr. Albrecht: We place a high priority on obtaining independent technical advice on all elements of our program. For example, we are very closely allied with NASA, DOD, NOAA, and NBS on joint efforts and in utilizing their specialized expertise and capabilities to address some of our problems. Additionally, we maintain a high level of consultation with the aviation community, both industry and users; and obtain their technical and operational viewpoints on our development. I am confident that we are seeking and obtaining qualified, independent inputs to our efforts.

ADVANTAGES OF DABS

Senator Andrews: What advantages do you see in the Discrete Address Beacon System as compared with the current system?

Mr. Albrecht: The Discrete Address Beacon System has a number of major advantages over the present Air Traffic Control Radar Beacon System. Discrete addressing allows each aircraft to be interrogated individually from the ground. Only the addressed aircraft will reply, which precludes mistakenly associating the reply with the wrong aircraft, as can happen today when all aircraft in the radar beam reply simultaneously. With all aircraft replying at once, the effect is a significant number of unwanted replies as well as garbling of replies from aircraft close together (so called synchronous garble). The discrete address function also allows DABS to establish a two-way private communications line (integral data link) between the ground and a particular addressed aircraft much like a telephone. DABS' improved techniques provide high reliability surveillance and communications with a single interrogation while today's system requires a high rate of interrogation redundancy to achieve reliability. Consequently, with DABS there is a significant reduction of the interference level by up to three to one. DABS also employs an advanced direction finding technique (monopulse radar) which provides inherently superior accuracy over today's system. Monopulse processing permits substantial improvements in decoding garbled replies from all aircraft.

The improved accuracy and surveillance reliability available with DABS, combined with its integral data link, will provide the foundation for advances in air traffic control automation leading to significant improvements in safety, controller productivity, and efficient utilization of the airspace.

Senator Andrews: To what extent will DABS be needed if the traffic growth projected for the future fails to materialize? Is there a quantitative threshold where DABS becomes necessary?

Mr. Albrecht: The surveillance improvements and interference reductions that DABS will provide were previously outlined and are needed now. They will become critical requirements as we move into the higher levels of automation. Establishing quantitative thresholds for such improvements would be very sensitive to location, specific configurations of traffic and traffic loadings. From a system standpoint it is our conclusion that we need to move as we have planned to avoid any need to curtail or constrain traffic due to surveillance-based problems.

EQUIPMENT COSTS FOR G.A. AIRCRAFT

Senator Andrews: What is the range of estimated costs of a DABS transponder and ATARS display for a general aviation type aircraft?

Mr. Albrecht: We are presently estimating the range of costs for a general aviation type DABS transponder and ATARS display would be $1,600 to $2,100. An altitude encoder would cost $650.

ALTERNATIVE COLLISION AVOIDANCE SYSTEMS

Senator Andrews: There is a great deal of continuing discussion over the various alternative aircraft collision avoidance systems, many of which are extremely expensive. In your judgment, based on statistics and experience available to you, are such systems worth the cost? What percentage of past accidents could reasonably be expected to have been avoided by such equipment? What types of collisions could we expect to be avoided with what type of system? (For example: groundbased, aircraft based, systems used only on en route airways, systems "seeing" only encoding transponder-equipped aircraft, etc.) would the San Diego accident, for example, have been avoidable with CAS? Was that general aviation aircraft equipped with an operating Mode-C transponder?

Mr. Albrecht: The questions you asked are very complex.

Mid-air collisions are a very rare event. Accordingly, a purely economic (or cost benefit) justification for an independent collision avoidance system could be argumentative. We are, nonetheless, committed to the development of an independent system which can be afforded by as wide a user population as practical. I emphasize the term independent in that the system must be capable of backing up the air traffic control system in a manner compatible with the normally safe and orderly flow of traffic yet not be dependent upon the ground system.

Our status to date clearly indicates that no one system can provide an optimum solution to the mid-air collision problem. We have a wide range (and sometimes incompatible) of requirements of the various aviation users and the effectiveness of such systems, of course, depends on the assumptions one makes for equipage. In the strictest sense, none of these devices will "prevent" a collision since none of these devices are being designed to take control of the aircraft away from the pilot. At best, these devices will provide the pilot with a timely alert (with a recommended avoidance maneuver) so that his attention can be drawn to the situation. The combination of ground based and airborne elements that comprise our separation assurance program would be needed to provide the optimum backup service, which should cover the greatest majority of airspace, should that level of service be determined to be required.

With regard to San Diego, the general aviation aircraft was equipped with an operating Mode-C transponder. Flight reenactments, simulations, and other studies of the current collision avoidance devices under development indicate that Active BCAS might have provided a collision alert to the 727 pilot in the San Diego situation.

ASA REQUIREMENTS FOR THE 9020 REPLACEMENT SYSTEM

Senator Andrews: To what extent are your capacity and other estimates supporting a new en route computer system based on assumptions about CAS requirements?

Mr. Albrecht. The Aircraft Separation Assurance Program consisting of Conflict Alert and Resolution, Automated Traffic Advisory and Resolution Service, and the Beacon Collision Avoidance Systems will be well into implementation before the first Advanced Computer System is installed.

Therefore, the CAS capacity requirements are being addressed in the development of each ASA element. Conflict Alert is into implementation with Conflict Resolution to follow in the near term.

With respect to the ATARS, this function is performed at the Discrete Address Beacon System site and, therefore, imposes no additional requirement on the existing or planned en route computer system. Also the Beacon Collision Avoidance System is a self-contained airborne unit which does not impose any significant requirement on the current or planned computer replacement.

STATUS OF THE AIRCRAFT SEPARATION ASSURANCE PROGRAM

Senator Andrews: What is the status of your Aircraft Separation Assurance Program? Please provide for the record a detailed background and chronology of the issues and programs related to collision avoidance.

Mr. Albrecht: I will provide that information for the record.

the information follows

Conflict Alert

The FAA is pursuing several coordinated developments as part of the overall Separation Assurance effort. The first of these, Conflict Alert is now implemented. It is designed to warn controllers that violations of separation minima are likely to occur within a prescribed look-ahead time. In response to the alert, a controller may issue appropriate instructions to the aircraft in question, if necessary. In order for Conflict Alert to warn of a potential conflict, both aircraft must be controlled and both must have altitude reporting transponders or must have their altitudes entered into the computer manually.

Active BCAS

Active BCAS is in the advanced stages of development. Experimental units designed and fabricated at Massachusetts Institute of Technology Lincoln Laboratory were delivered to the Federal Aviation Administration in February 1980 and were evaluated in flight tests through December 1980. The results of these evaluations, as reported at a public conference in January, indicate performance beyond the level anticipated. Lincoln Laboratory units augmented with the capability to display the range, altitude, and bearing of intruder aircraft will be delivered in May for flight evaluation.

Industry Active BCAS units, based on the Lincoln Laboratory design, fabricated by Dalmo Victor will be delivered in April for evaluation on in-service air carrier aircraft through early 1982.

The standardization processes required for implementation are proceeding in parallel with these development and evaluation activities. The Final U. S. National Aviation Standard for Active BCAS was published in the Federal Register for public comment on October 27, 1980. In addition, the Radio Technical Committee for Aeronautics has convened a special committee to develop minimum operational performance standards.

It is anticipated that Active BCAS could be operational beginning in 1983.

Full BCAS

A contract was awarded to Bendix Corporation for the development of Full BCAS in January 1981. This is a three-phase activity that will (1) develop and evaluate, through simulation, a Full BCAS design definition; (2) fabricate and flight test engineering models; and (3) provide prototype units for evaluation on in-service air carrier aircraft.

A preliminary design review will be held at Bendix in mid-April. At this time good progress is being made on developing the design definition.

It is anticipated that the design definition will be completed in May 1982 and that engineering models will be delivered to the Federal Aviation Administration for evaluation in February 1983.

ATARS

An initial definition of the computer program that implements the ATARS function in DABS/ATARS ground sensors was delivered to the Federal Aviation Administration Airway Facilities Service in April 1980 in order to facilitate the initiation of procurement activities for operational sensors. This computer program definition will be updated in June.

Extensive simulation studies of ATARS performance were conducted throughout 1980 and will continue in 1981. Flight testing at the Federal Aviation Administration Technical Center was initiated in 1980 and will continue throughout 1981 and into 1982.

In order to begin the standardization process for ATARS and to solicit public comments on the current ATARS design concept, a draft U. S. National Aviation Standard for ATARS was published in the Federal Register on March 20, 1981.

EVALUATION OF TRI-MODAL BCAS

Senator Andrews: Please describe Mr. Litchford's collision avoidance system. What is your evaluation of Litchford's Tri-Modal System? What were NASA's detailed findings with regard to Litchford's CAS? Is Litchford's CAS now operational in prototype form? Have you taken a look at it? Is FAA blocking, through any rulemaking or other action, private development of the Litchford collision avoidance system?

Mr. Albrecht: Any collision avoidance system must have four basic elements: an ability to determine the existence of other aircraft, surveillance; an ability to determine which of those aircraft represent potential threats, threat detection; an ability to determine an appropriate maneuver to evade the threat, threat resolution; and finally an ability to inform the other aircraft and the air traffic control system of its intended maneuver, coordination. Mr. Litchford's developmental efforts partially covered only the first of these requirements. It was not a collision avoidance "system" at all.

Mr. Litchford was the first to recognize that under certain circumstances a properly equipped aircraft could receive replies from other aircraft, and also receive the interrogations from the ground, and process that information to form reliable tracks on other aircraft in its vicinity. Mr. Litchford's proposed CAS was unable to meet the full spectrum of requirements for an effective BCAS, although the successful elements of his concept have been incorporated into the FAA's full BCAS development.

NASA's findings were that the Litchford's CAS is not fully developed and has not been thoroughly evaluated either via analysis, simulation, or flight tests. Furthermore, results to date show that there may be significant problems which must be overcome for the system to operate in all environments. Also, they conclude that, "further flight tests . . . would not provide the engineering data necessary to fully evaluate the . . . concept." NASA also noted that it would require $4 to $5 million and about 3 years to translate Mr. Litchford's postulated system into a flyable engineering model.

Mr. Litchford fabricated two sets of equipment under his contract with FAA. One set was delivered to the Technical Center and was partially tested for acceptance as meeting specifications. The second unit remains in Mr. Litchford's possession and is deliverable to the government under the terms of the contract. Delivery of the equipment was not pursued pending resolution of the possibility of a directed test in the Los Angeles area.

The products of our BCAS efforts will be National Standards which will provide industry with the parameters of performance which must be met for any such system is to operate safely in the National Airspace System.

CONTROLLER STAFFING

Senator Andrews: What do you estimate will be the impact of possible future acquisition of advanced computer capability on the growth in controller staffing?

Mr. Albrecht: The implementation of the Advanced En Route Automation program will produce approximately 100 percent improvement in controller productivity. We believe we will be able to maintain a constant workforce level for 20 years after implementation.

MAJOR PRODUCTS AND COSTS OF THE ADVANCED COMPUTER PROGRAM

Senator Andrews: Please provide for the record your development roadmap for the Advanced Computer Program. Include total and incremental costs.

(the information follows)

The roadmap prepared during the last Administration and now under careful review portrays the time sequencing for:

The Advanced Computer Program--the replacement of the existing 9020 computers in the en route system. The Advanced Computers will provide us with the necessary capacity, reliability, flexibility, and expandability to meet the demands for services in the 1990's and facilitate the inclusion of the advanced levels of automation necessary to raise productivity levels to assure an economically viable system.

The date line shown towards the top of the Roadmap is subdivided into three categories:

1980-1988--Continued operations of the 9020's.
1988-1992--Transition from 9020's to Advanced Computers
1992-2000 plus--Full operation of Advanced Computers in all 23 ARTCC's.

The stub entries on the left of the Roadmap, New Systems, Safety, Performance, and Productivity (all except FUTURE Decision) were used to categorize the products of the E&D program which would become operational in the field in the time frame delineated by the rounded end of the figure.

Those products shown on the 1980-1988 time frame are planned to be included in the existing 9020 computer systems.

Those products shown in the Transition Period 1988-1992 would be brought on-line in the Advanced Computers after their initial shakedown and familiarization periods.

Those products in the 1992-2000 plus would be brought on line after all the Advanced Computers were fully operational.

The items shown adjacent to the stub entry Future Decisions are representative of some of the key policy and issue decisions that must be made as the development of the Advanced Computer System progresses. In this case, the rounded end of the figure establishes the time frame in which the decision is required.

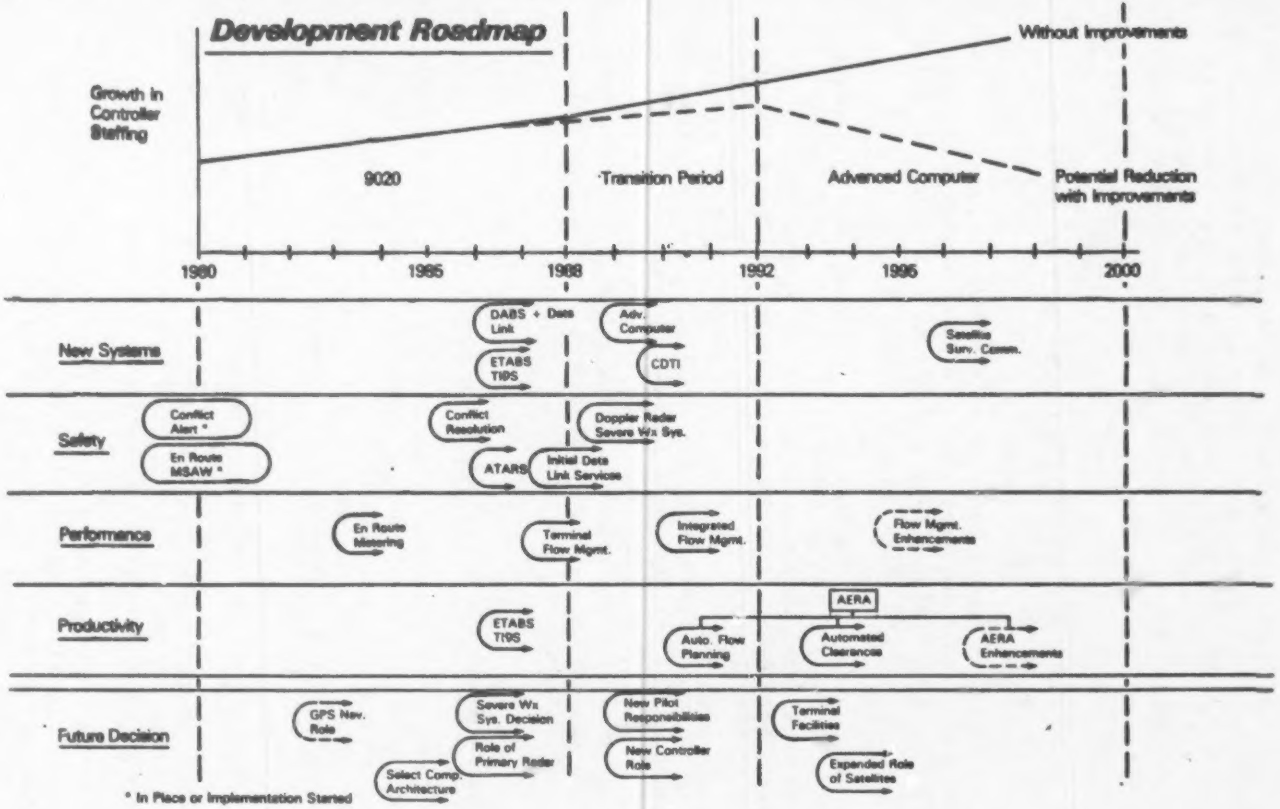
Each of the E&D products depicted on the Chart is a vital element to the ultimate success of the Advanced Computer System.

Those to become operational in the1980-1988 provide additional benefits in safety, performance, and productivity throughout the life of the 9020 systems--1992.

So the "New" or Advanced Computer System will embody most of the capabilities available in today's system, those that are vital and available in the 1980-1988 time frame and in the post-1988 era, those that are still under development and exceed the capabilities of the 9020's.

The cost of the Advanced Computer Program is estimated to be about $2.8 billion. That estimate, we should point out, takes into account an inflation rate of 10 percent throughout the 1980-1992 time frame.

The estimated cost of the products of the E&D programs related to the Advanced Computer Program from 1980-1992 is estimated to be about $3.5 billion and this too includes an inflation factor of 10 percent per year.


Development Roadmap
Growth in Controller Staffing
Without Improvements
Potential Reduction with Improvements
9020
Transition Period
Advanced Computer
1980
1985
1988
1992
1995
2000
New Systems
DABS + Data Link
ETABS TIPS
Adv. Computer
CDTI
Satellite Surv. Comm.
Safety
Conflict Alert *
En Route MSAW *
Conflict Resolution
ATARS
Initial Data Link Services
Doppler Radar Severe Wx Sys.
Performance
En Route Metering
Terminal Flow Mgmt.
Integrated Flow Mgmt.
Flow Mgmt. Enhancements
Productivity
ETABS TIPS
AERA
Auto. Flow Planning
Automated Clearance
AERA Enhancements
Future Decision
GPS Nav. Role
Select Comp. Architecture
Severe Wx Sys. Decision
Role of Primary Radar
New Pilot Responsibilities
New Controller Role
Terminal Facilities
Expanded Role of Satellites
* In Place or Implementation Started

4/20/81

DEVELOPMENT ROADMAP GLOSSARY

Adv--Advisory.
AERA--Automated en route air traffic control.
ATARS--Automatic traffic advisory and resolution service.
Auto--Automated.
CDTI--Cockpit display of traffic information.
Comm--Communications.
Comp--Computer.
DABS--Discrete address beacon system.
ETABS--Electronic tabular display subsystem.
GPS--Global positioning system.
Mgmt--Management.
MSAW--Minimum safe altitude warning.
Nav--Navigation.
Surv--Surveillance.
Sys--System.
TIDS--Terminal information display system
Wx--Weather
9020--IBM 9020 air route traffic control center computer

ATC COMPUTER REPLACEMENT PROGRAM FUNDING

(Figures are in Millions of Dollars Adjusted for Inflation)

FY	79	80	81	82	83	84	85	86	87	88	89	90
E&D Yearly	2.6	5.0	7.15	15.6	79.8	132.3	153.9	48.1	37.8	34.2	20.0	10.0
Cumulative	2.6	7.6	14.75	30.35	110.15	242.45	396.35	444.45	482.25	516.45	536.45	546.45
F&E Yearly								605.2	21.2	650.5	644.0	341.3
Cumulative								605.2	626.4	1,276.9	1,920.9	2,262.2
Program Total	2.6	7.6	14.75	30.35	110.15	242.45	396.35	1,049.65	1,108.65	1,793.35	2,457.34	2,808.65

DISTRIBUTION OF FUNDS FOR EN ROUTE COMPUTER REPLACEMENT

Senator Andrews: Identify those portions of your FY-1982 budget request which relate to en route computer replacement either directly or indirectly.

Mr. Albrecht: I will provide that information for the record.

the information follows

Direct

FY-1982 Advanced ATC System Computers	$15,600,000
En Route	8,545,000
Terminal	2,055,000
Communications Requirements	1,000,000
Requirements and Technology Analysis	4,000,000

Indirect

FY-1982 programs indirectly related to the Advanced Computer Program are enhancements which will be implemented after the Advanced Computer Program.

	$3,212,000
ATC En Route Automation (AERA)	2,250,000
Integrated Flow Management (IFM)	962,000

COMPUTER CAPACITY

Senator Andrews: How close are you to the maximum capacity or saturation level for each of your computer centers and for the entire system?

Mr. Bispo: We have no indication that any site is approaching its maximum capacity. We have a project well underway which includes updating of a computer model which should give us a refined analysis of the current and projected existing system capacity on a site-by-site basis. Based on past experience, when problems have occurred with our 9020's it appeared that the site was reaching capacity, however, detailed analysis revealed that the problem was caused by computer software.

Senator Andrews: Do you expect any center to reach maximum computer capacity within the next 5 years?

Mr. Bispo: No. We feel that maximum capacity will not be approached at any site before the late 1980's at the earliest. Our modeling activity should provide firm figures on this. We are also looking at other methods of increasing capacity should it be required.

COMPUTER REPLACEMENT PROGRAM

Senator Andrews: The FAA intends to use the process identified in OMB circular A-109 to acquire the future replacement program. Analysis of advanced computer funding and planning documents indicate that it will cost about $1.2 billion to fund just the design demonstration phase. (In weapons systems acquisition, this phase is called "fly-off" and in ADP acquisition it is called a "compute-off.") This compute-off phase of the A-109 is intended to prove that the new system will perform and process the new tasks which have been developed. Since FAA intends that the replacement must functionally do what it does now and FAA is unable to predict future mission needs in specific terms, why is a compute-off costing $1.2 billion needed to prove what is done now and what FAA is unable to predict for the future?

Mr. Albrecht: There has been a misunderstanding of the goals of the Advanced Computer Program. The statement that the future computer replacement must functionally do what it does now is a transition strategy aimed at minimizing the impact of the new system on the air traffic control operation and air traffic controllers at the time of system cut over. After the system has "settled in," new functions which the Advanced Computer System has been designed to support will be introduced in a controlled and careful manner. The purpose of the "compute-off" is to obtain a new automation capability that has the highest degree of system availability so as to provide uninterrupted air traffic control service, a system capable of support the implementation of new safety and fuel efficiency services for the flying public, a system that maximizes the public return on investment, and finally a system with maximum program and implementation risk.

Senator Andrews: What will be accomplished by this process that could not be achieved by a direct near-term replacement?

Mr. Albrecht: If by direct near-term replacement is meant the option of rehosting the current NAS software on an "instruction-compatable computer" of current vintage, the planned FAA program would have very different results.

The "near-term approach," which would take 6-7 years to accomplish would retain much of the current software which the Senate Investigative Report describes as an "intertwined mess." The FAA approach would redesign and replace the current worn out software to achieve higher reliability and reduce software maintenance costs.

The use of an "instruction-compatable computer" to rehost the software would limit the competition to only two manufacturers. The FAA approach would solicit all of industry to obtain a system demonstrated to be best suited to the Air Traffic Control Application.

Finally, the use of a current generation computer that is "instruction compatable" with the current system would result in a system that could provide the computer capacity to handle current and near-term traffic growth but not a system which would have the high degree of reliability and expandability necessary to support the Air Traffic Control System through the 1990's.

Senator Andrews: What assurance can FAA give this Committee that such an open-ended multibillion dollar computer system will be able to incorporate some of FAA's as yet unplanned, nonsafety and non-Air Traffic Control Service goals?

Mr. Albrecht: In addition to improving safety and the entire en route air traffic control process, the FAA is emphasizing that the replacement system must provide for minimum life-cycle costs. This will be one of the major factors upon which the selection of the winning system will be made. In addition, the FAA is specifying that the replacement system must be supported by a superior training facility for controllers and provide the management tools and information necessary for efficient operation.

Senator Andrews: In its response to the Senate and House Conference Report, FAA outlines actions such as a continuing buyback of existing system capacity, emphasizing software efficiency, determining functions and nonessential tasks which may be eliminated, eliminating training from the system and a number of other actions intended to reduce the computer load and free-up capacity either permanently or temporarily in the face of saturation at some centers. FAA expects such reductions to preclude the need for major changes such as a direct near-term replacement of the obsolescent computers. If these computers were used for administrative processing, it would be understandable that extending their use might be justifiable, but they are not. These computers are used to control aircraft and any degradation of service affects the lives and safety of the travelling public. Surely, there must be a high cost to FAA in system availability, efficiency, and staff resources to get this "last ounce" of use from this obsolete computer system. Could you please identify this cost?

Mr. Albrecht: Detailed cost estimates for improving the operation of the current system along the lines recommended by the Senate Investigative Report are not complete but should amount to less than $100 million.

Senator Andrews: Explain how it is a more efficient and economical approach when compared to direct near-term replacement of the system.

Mr. Albrecht: Improving the current system instead of buying a "near term" interim system should save in excess of $600 million in current year dollars. The Senate Investigative Report estimated the cost of an interim system as $700 million in current year dollars.

In addition to the additional costs associated with a near-term interim system, the pursuant of that solution would draw our technical talents away from the Advanced Computer Program.

Senator Andrews: The Senate and House Conference Report recommends that FAA consider procuring a direct near-term replacement system rather than attempting to extend the life of these obsolete computers. Also, the report points out that such a direct near-term replacement would enable FAA to meet its goal of controlling air traffic in the same manner as it does now. Besides improving our traffic operations, reliability, and the public's confidence, this action would enable FAA to carefully develop a plan and the data needed to support its future system. However, FAA has said direct near-term replacement of existing computers preclude the addition of any new productivity and safety enhancements, and is costly. Could you explain how the use of state-of-the-art computers will inhibit the addition of any new productivity and safety enhancements?

Mr. Albrecht: The Senate Investigations Staff Report entitled "FAA's En Route Air Traffic Control Computer System" recommends that the FAA consider obtaining an interim system replacement under Public Law 89-306. The proposed interim system described on page 86 to 88 of the Report does not provide for the development and implementation of any new safety or productivity enhancements as part of the recommended interim system.

The Report also states that "in accordance with the law and FPMR's, the action (procurement of an interim system under Public Law 89-306) would necessitate that FAA commit itself to eventual replacement of the interim system over a period of time."

Considering that under this plan the FAA would require the resources to operate and maintain the current system for a number of years, develop an interim system over 6 to 8 years at an uninflated cost estimate of $700 million and also develop a program for the replacement of the interim system, it would appear doubtful that the FAA would have sufficient staffing and funding to, in addition, develop new safety and productivity enhancements.

Senator Andrews: Also, you say that a direct near-term replacement is costly, what exactly is the cost and how does it compare with the alternatives?

Mr. Albrecht: The direct near-term replacement, or interim system, described on pages 86 to 88 of the Senate Investigations Staff Report entitled "FAA's En Route Air Traffic Control Computer System" is estimated by the Investigations Staff to cost $700 million in Fiscal Year 1980 dollars. This estimate does not include any provision for FAA in-house costs, support contractors, test and evaluation, building modifications or system installation, and check out. In addition, the $700 million estimate does not provide for obtaining a replacement of the 15-year-old controller suites. The approximate cost in current year dollars of these requirements is $150 million.

Combining the Investigations Staff estimate of $700 million with the additional $150 million described above yields a $850 million program in uninflated dollars. Adding an inflation factor of between 8 and 12 percent over the period 1982 to 1987 with procurement of the system hardware deferred until the later years could add $550 to $750 million for a total estimated costs of between

$1.4 billion and $1.8 billion.

This $1.4 billion to $1.8 billion would provide only what is admittingly an "interim system." Planned safety and productivity enhancements would be ignored in the development of the proposed interim system and would await the development of the eventual replacement of the interim system sometime in the 1990's.

Considering that the interim system approach takes almost as long as a total replacement program, that the approach allows no competition by industry of alternative designs, that no new safety or productivity functions are developed, and that eventual replacement of the interim system would be required, the FAA does not believe that a $1.4 billion to $1.8 billion interim system is either a satisfactory technical solution or a good capital investment.

Senator Andrews: Many of the deficiencies cited in FAA's existing system relate to the computer software which has been described as an "intertwined mess." FAA uses the assembler and JOVIAL computer language to program the software. FAA is unable to identify the proportions of use for each. However, because of admitted problems with the program compiler, FAA uses the JOVIAL language very little. Outside of FAA, very few organizations still use assembler language because compared to modern, high-level languages, assembler language takes longer to write, is difficult to debug, is expensive in terms of costly human resources, and is more prone to errors. These software difficulties are compounded because every 6 months or so FAA issues a new software version which is not a refined, polished product but includes numerous patches. Since the FAA computers were installed and programmed in the late 1960's, many significant advances have been made in higher-level languages for computer software, which offer a high degree of flexibility and transportability. Up-to-date standard, high-level software language could be used to program a near term direct replacement computer system . Recently, the Department of Defense has begun development of a new high-level language called ADA, which is supposed to be specifically designed for on-line, concurrent operation. However, FAA has not incorporated these advances in software but has continued using the cumbersome assembly language software and patches to keep the computer software running. What is the annual cost in terms of staff and equipment resources and dollars to maintain the software for the existing computers?

Mr. Bispo: Intertwining within en route computer software relates to integral interaction of the program between "tables" by numerous individual program subroutines. It is possible to identify the amount of instructions resulting from application of JOVIAL and those that are a result of assembly language instructions. To do so, however, would require extensive search of more than 600,000 individual lines of coding.

We are not now aware of problems within the program compiler. JOVIAL language is used extensively as Assembly language is usually reserved for input/output programming use.

New software versions are normally issued every 6 to 12 months. These new releases incorporate system improvements as well as new air traffic control functions and requirements. There is approximately a 2-month period for testing of each new system. Program problems identified during new system development and operational testing must be corrected in patch form before program implementation. This same technique is widely used by industry and is the accepted procedure for software program updating.

There have been a number of significant advances in higher level languages. Evaluation for application bares out that the 9020 architecture limits their use due to noncompatibility. Conversion of the current system would be extremely costly. The development period alone would require 3 to 5 years of effort. Because of system complexity, it is expected installation of totally new software would impact facilities for the first 2 years following implementation. Procurement of new software would still require systematic program release and implementation. This includes system shakedown and testing, remedying problems found after program distribution.

Air traffic personnel cost at the end of fiscal year 1980 for the 138 en route direct and supporting positions at our Technical Center was $3,804,980. Equipment utilization charges for the same time period was $28,365. Facility staffing required for maintaining en route software in the field is not included in the above amount.

COMPUTER SOFTWARE

Senator Andrews: What benefits or improvements would be realized if a higher level language software were used to operate on a modern replacement system?

Mr. Albrecht: The use of a higher order language software on a replacement computer would have two primary benefits. First the use of a higher order language would significantly increase programmer productivity thus reducing software development and maintenance costs. Second the use of a higher order language would reduce the number of software errors thus increasing the automation system reliability.

Senator Andrews: What is the basis for FAA's claim that the existing systems' software costs are excessive?

Mr. Albrecht: The current software was originally designed and built in the 1960's. Since this time, the software has been continuously modified and expanded. Each modification to the software has been made with the objective of minimizing the use of limited computer system resources as opposed to maintaining an optimum software design. This has resulted in a software structure that is very closely coupled and difficult to work with. In addition, the current software is written in an early version of JOVIAL and assembly language. Software written in these languages is more expensive to maintain than software written in a modern, higher order language that has been designed to enhance programmer productivity and software maintainability.

Senator Andrews: What plans for new software does FAA have for the period 1982-1991?

Mr. Albrecht: We do not plan to develop any new software for existing en route computers. Our total efforts will be concentrated on developing new software for the Advanced Computer Program.

Senator Andrews: For each significant component in the current software inventory, what is the estimated aggregrate costs for items such as maintenance, modifications, enhancements, and redesigns over the remainder of the full life cycle; and, the projected assessments of the technical status relative to the state-of-the-art for each remaining year of the full life cycle?

Mr. Bispo: The two major components of the 9020 En Route software inventory are the operational 9020 Central Computer Complex en route program and the programs for the Display Channel Processors. We estimate the remaining life cycle of these programs to be approximately 10 years.

The costs associated with maintenance, minor modification and minor redesign of the En Route Central Computer Complex software programs over a 10-year life cycle are estimated at $127.4 million.

The costs were derived from an independent contractor report completed January 1. The cost figures have been inflated to 1981 dollars. Costs were also added for FAA Technical Center maintenance of some related support software.

The costs associated with maintenance, minor modifications, and minor redesign of the Display Channel Processor Software Program are estimated to be $59.7 million over the next 10 years.

Major enhancements and major redesign costs of the 9020 en route automation system are estimated to be $50.0 million during the remaining life cycle.

The technical status of the en route software program is relative to the state-of-the-art at the present time except as restricted by the 9020 hardware. The state-of-the-art of computer technology has changed drastically particularly in the hardware area. The changes in software, while significant, have not been of the same magnitude. We expect technological advances in the software state-of-the-art through the next 10 years, however, we cannot at this time assess what our actual technical status will be relative to those changes when they occur.

Senator Andrews: FAA has outlined actions it intends to take or has taken to extend the life of its existing en route computer systems. These include evaluating and testing program changes, reviewing existing or proposed equipment interfaces (radars, etc.) and eliminating those which are not needed, more emphasis on software efficiency and software modifications, buying new computers for training, replacing input/output computer elements, upgrading the direct access radar channel (DARC) to provide almost identical capability of the existing computer system and other such similar actions. In their report, the investigations staff identified some of these costs. For example, upgrading the DARC is estimated at $38 million for FY 82 and FY 83, and $65 million is under consideration for the future. Also, FAA has agreed to buy $14 million of storage elements, peripheral adapter modules (PAM's), PAM extension frames, tape control units and other equipment to extend the existing computers to their maximum configuration. In light of these multimillion dollar buys and others that we don't know of, how much is this "bailing wire patchup" going to cost between now and when the projected future system is in and operational?

Mr. Bispo: We have initiated an eleven point improvement program to extend the useful life of the en route computer system. Most of this program will be accomplished within existing agency resources with the exception of approximately $700K required to update computer models for performance measurements and some hardware and software costs to improve the existing reporting system. Separate from this improvement program is the cost of procuring a new training computer ($43.4M) which will provide additional capacity and the cost of DARC enhancements ($45.0M) to improve the backup capability. We believe the above efforts should adequately extend the life of the computer system until replacement occurs.

If, however, the improvements from these actions is less than anticipated, or traffic grows at a greater rate than forecast, the FAA is developing a contingency program to deal with this uncertainty. One of the options apparent at this time is replacing the Input/Output Control Elements' (IOCE) 1960 technology with functionally equivalent newly designed equipment. A decision to pursue this development has not been made. Further, a decision to proceed with development would not represent a commitment for implementation.

SENATE INVESTIGATIVE REPORT

Senator Andrews: In the Senate investigation staff report, investigators found that some air traffic control centers, to free up computer capacity during high periods of utilization, were removing or reducing certain computer functions. Also, that some centers were using the emergency backup compute element on almost a daily basis to support normal busy periods. They also found that no data is maintained at the Headquarters as to where these situations occur, how often, how long, and their impact on delays and the ability of the air traffic controller to safely control air traffic. On a national scale, has FAA started to track this critical deficiency?

Mr. Bispo: Situations in which the redundant compute element is placed on line varies from never, at several centers, to an average of several times a week for a few of our centers. The average period of time is about 3 hours. Nonoperational functions of the program are turned off at six centers about 5 days per week for periods ranging from 1 to 12 hours to reduce computer power utilization. Since the functions do not serve operational positions and are not used by operational controllers, there is no impact to the controller, delays, or system safety. The occurrences are not tracked nationally.

Senator Andrews: Which centers are these?

Mr. Bispo: The centers which use the additional compute element several times a week are Oakland, Denver, and Houston. The additional sites which reduce the nonoperational function several times a week are Miami, Albuquerque, and Memphis. The additional compute element is often used in lieu of reducing the nonoperational functions.

Senator Andrews: How long and how often does this occur?

Mr. Bispo: At the three centers where the additional compute element is frequently brought on line, the occurrences vary from an average of 4 days per week to 2 days per week. The average time period for each occurrence is about 2 1/2 hours. The nonoperational functions are reduced at six centers on an average of 5 days per week for average periods of 6 hours. At all other centers, the use of the additional compute element ranges from less than 1 per month to never. The reduction in nonoperational functions ranges from once a week to never.

Senator Andrews: What is FAA doing about this potentially dangerous deficiency?

Mr. Bispo: The use of the additional compute element or the reduction in nonoperational computer functions cannot be considered a potentially dangerous deficiency. We believe that our increased attention to configuration control, the content of locally developed software packages, and the increased testing of locally developed software should eliminate the operational use of the additional compute element and reduce the number of times that nonoperational functions must be decreased.

Senator Andrews: What is the normal percentage level of processing capacity of the 9020 computers at each of the centers - the entire system?

Mr. Bispo: Although no specific records are kept, the normal processing capacity used at our centers during busy periods ranges from 65 to 80 percent. Each center's capacity is independent so there are no figures for the entire system.

Senator Andrews: What is the maximum level of processing capacity of the 9020 computers at each of the centers - the entire system?

Mr. Bispo: When compute power utilization (CPU) passes 90 percent, our centers will begin to encounter slower response times; but because the computer software gives priority to the display function, there will be no effect on the controller's display. Our modeling activity should give us firm estimates on the maximum capabilities of our 9020s.

Senator Andrews: Is the processing capacity higher with the A model than the D model? By what degree and why?

Mr. Bispo: Actually, the reverse is true. Our D model systems are approximately 1 1/2 times faster than the A models. The additional speed of the D model increases CPU capacity by about 1/3.

Senator Andrews: Do any of the centers operate at the maximum capacity level or saturation level; if so, which ones?

Mr. Bispo: None of our centers are operating at a maximum capacity level. On several occasions, problems have occurred with our 9020 systems that have given the indication of computer saturation. These incidents, however, were caused by errors in computer software or site adaptation problems.

Senator Andrews: What are the warning signs that the 9020 is approaching the maximum level of capacity and at what level are certain operational functions deleted?

Mr. Bispo: Built into the software is a CPU measurement message which is continually monitored. Our procedures call for a reduction in functions when any center reaches 80 percent CPU. None of these functions serve or are used by the operational controllers.

Senator Andrews: How many functions can be deleted from the system; what functions are these; how often does this occur, at what centers and during what periods of time?

Mr. Bispo: Our national procedures list six functions:

1. Timimg Analysis Recordings (TARs)
2. Resource Monitor Recording (REMON)
3. System Analysis Recording (SAR)
4. Data Log Recording (DLOG)
5. Aircraft Delay Recording (ADR)
6. Dynamic Simulation Function (DYSIM)

The requirements for these functions vary from time to time and are turned on or off routinely for various reasons. Normally, the SAR, DLOG, and ADR are recorded continuously. DYSIM is only used when training is being conducted. TARS and REMON, which are used for error analysis, may be turned on only for short periods in an attempt to isolate a particular problem.

Six of our centers, Oakland, Denver, Houston, Miami, Albuquerque, and Memphis, reduce some of the recordings 3 to 5 days a week for periods ranging from 1 to 12 hours. At all the other centers, the reduction ranges from once per week to never.

Senator Andrews: How is processing capacity improvement measured as functions are deleted?

Mr. Bispo: The data recordings are expensive in terms of compute power utilization (CPU). The CPU measurement message provides a positive indication of the results in reducing those functions. As soon as the system CPU is reported well below 80 percent, the desired functions are again turned on.

Senator Andrews: Can the system be safely operated during this period when functions are deleted?

Mr. Bispo: Yes. The system is operated safely during these periods. These functions have no effect on controller operations or system safety.

Senator Andrews: If so, why haven't these functions been permanently deleted?

Mr. Bispo: The first three recordings were used primarily for software and hardware error analysis. They also support the analysis of site adaptation data. The DLOG recording is used to support search and rescue requests for data on lost aircraft. The ADR is a statistical program used to evaluate certain procedural aspects of the air traffic control system. DYSIM is used to train our new controllers and give refresher training. All of these are important functions but are not required on a continuous basis.

Senator Andrews: What causes slow system response time to the controllers and how does slow response time affect ability to control traffic and ensure air safety?

Mr. Bispo: In all cases we have investigated, the causes of slow system response times can be traced to computer software errors site adaptation problems, or hardware failure of input/output equipment. Slow response times have no effect on air safety although, admittedly, the controller's workload increases somewhat when slow responses occur.

COMPUTER REPLACEMENT PROGRAM OFFICE

Senator Andrews: When does FAA plan to establish a program office to manage its en route computer replacement program?

Mr. Albrecht: An organizational plan for a Program Office was developed and is awaiting the new Administrator's review. The organization plan is one element in his overall review of the proposed Advanced Computer Program. We anticipate we will be proceeding on the establishment of the office this spring.

Senator Andrews: Will the Program Office be an independent organization within FAA?

Mr. Albrecht: The Proposed Program Office will be responsible for the development and implementation of the Advanced Computer Program working through Matrix management methods with cognizant existing organizations.

Senator Andrews: At what level in the organizational structure will the program office be placed and to whom will it report?

Mr. Albrecht: This office will report to the Associate Administrator for Engineering and Development during the developmental phase and transition to the Associate Administrator for Air Traffic and Airway Facilities during the implementation phase.

Senator Andrews: How much and what responsibilities will the program office and program manager have?

Mr. Albrecht: The Advanced Automation Program Office provides the leadership, direction, and coordination within the agency to specify, develop, acquire, test, and implement a replacement system for the en route air traffic control computers located at the 23 domestic and offshore control centers. The Program Manager has the authority to speak for the agency within the confines of his mission and provides direction and coordination for activities required to accomplish the program.

IMPACT OF H.R. 1576 PROPOSED LEGISLATION

Senator Andrews: H. R. 1576, introduced in the House last month, apparently provides for air traffic controller salaries to go up to $73,000, 10% annual salary increases, a four-day work week, and various other bargaining rights and special provisions. Please summarize for the record the specific provisions of this proposed legislation and tell us orally what effect enactment of this Bill would have on the FAA?

Mr. Weithoner: The provisions of the Bill, if enacted, would provide Air Traffic Control Specialists represented by the Professional Air Traffic Controllers Organization (PATCO) several things. These include annual salaries ranging from $22,300 to $73,400; two annual cost of living increases at 1.5% for each 1% increase in the Consumer Price Index; an annual 10% salary increase, annual step increases within grade, and a promotion upon reaching the top step of a grade; a 10% pay increase for evening shift work, a 20% increase for midnight shift, and a 25% increase for weekend work; a 4-day workweek; the right to bargain on annual and sick leave benefits; the elimination of all salary limitations; a 20 year retirement system with 75% annuity; and, the right to bargain for pay and fringe benefits.

We have not had an opportunity to fully assess the ramifications of the Bill. Most of the proposals represent a significant additional cost to the Federal government at a time when a reduction in the Federal work force and the Federal budget is desired. It appears that the bill would provide for significantly more pay and other benefits for a relatively small group of government employees which would set them apart from the rest of the Federal work force. The

Professional Air Traffic Controllers Association has included the provisions of H. R. 1576 among their union proposals for contract negotiation with FAA. These negotiations are ongoing. At this time, the FAA has not taken a final position regarding pay and benefit areas included in the Bill.

USE OF TRUST FUND

Senator Andrews: Your proposed budget request recommends that expenditures from the Trust Fund for operations increase from $525 million in Fiscal 1981 to $1,950,000,000 in Fiscal '82. On what basis did you reach the determination that the additional $1.4 billion of operations activities is attributable to civil aviation and thus should be financed from the Trust Fund? Provide specific details for the record.

Mr. Trent: It is our view that aviation users should be charged for all services directly provided to them. Using this concept, and the data contained in the September 1978 report, "Financing the Airport and Airway System: Cost Allocation and Recovery," we have determined that costs should be allotted among users approximately as follows: Air Carriers, 58 percent; General Aviation, 27 percent; Public/Military, 14 percent; and Metropolitan Washington Airports, 1 percent.

Since all Facilities and Equipment (F&E); Research, Engineering and Development (R, E&D) and Airport Grants are paid from the Trust Fund, the portion of FAA's operations expenses paid from the Trust Fund is adjusted so that users pay their fairly allocated share according to the above distribution. In FY-1982, this allocation is as follows:

Trust Fund Expenditure	Dollars	Percent
F&E	$ 325M	
R,E&D	105	
Airport Grants	450	
Operations & Maintenance	1950	
TOTAL Trust Fund:	$2830M	85%
Other Users Expenditures		
Metropolitan Airports	$ 47M	1%
General Fund		
Operations and Maintenance	$ 468M	14%

CAPITAL IMPROVEMENT PLAN

Senator Andrews: Last December, the FAA published a ten year capital improvement plan which seems to be far in excess of the policy of the new Administration. Please give us your comments on that plan and tell us whether you envision issuing your own capital improvement plan in the near future.

Mr. Trent: The document referred to, "National Aviation System Development and Capital Needs for the Decade 1982-1991," was issued in December 1980. That document is not so much a plan as a needs assessment which was developed without consideration of fiscal constraints. We have recently initiated a review to determine capital needs over the next decade and their urgency and relative priority. The review should be completed within six months. After this, we expect to issue a bona fide plan for aviation capital and research investments for the decade ahead. We are committed to investing adequate resources to ensure a safe and efficient air traffic system.

RESULTS OF INVESTIGATIVE REPORT

Senator Andrews: Last year, this Committee issued an investigative report on your en route air traffic control computer system. Although your prepared statement summarized your response, please tell us in your own words what actions you have taken in response, and then provide a copy of your official response for the record. Can you assure us that each of the directed reporting deadlines will be met?

Mr. Albrecht: In response to the Committee's investigative report entitled, "The FAA's En Route Air Traffic Control Computer System" the FAA initiated a number of responsive actions. First the FAA convened a 2-week long working session involving the Air Traffic Chiefs and the Airway Facilities Managers from each of the 20 en route centers in the United States along with key FAA headquarters personnel.

This group developed a series of recommendations that were directed at improving the management and operation of the current en route air traffic control computer system along the lines contained in the Committee's Investigative Report. These recommendations were implemented by the Administrator in January of 1981.

In addition, the FAA assembled a team of technical experts to respond to the other concerns expressed by the Investigative Report. The FAA will respond to all the recommendations by the dates specified.

CAB "SUNSET"

Senator Andrews: You are proposing legislation to provide for an early "sunset" of CAB. Has deregulation worked so well that CAB should be eliminated 27 months sooner than planned? What would happen to the essential air service program and consumer protection?

Mr. Trent: Yes, we are confident that the generally successful experience we have had thus far with deregulation justifies an acceleration of the "sunset" schedule. While the Administration has yet to develop the complete details for how each of the remaining CAB functions, such as essential service and consumer protection, will be handled, we expect that the Department of Transportation will have a major role in these activities.

LEGISLATION

Senator Andrews: Your legislation proposes a passenger ticket tax of 6 1/2 percent and a 12-cent per gallon gas tax on general aviation with further significant increases in future years. What will be the dollar impact of this on aviation system users? Provide specific dollar estimates, by revenue source, for each of the next five years.

Mr. Safeer: The following table lists estimates of tax revenue by source:

Revenue for Each Tax (Millions)

	1982	1983	1984	1985	1986
Ticket Tax Air Carrier	1,585.82	1,828.62	2,107.58	2,413.67	2,750.38
Ticket Tax General Aviation	37.63	42.55	48.05	53.08	58.60
Waybill Tax	113.09	127.61	143.26	161.43	181.51
Fuel Cents/ Gallon General Aviation	164.11	282.98	411.98	520.39	623.38
International Enplanements	86.50	90.79	95.53	101.42	107.62
Tire and Tube Air Carrier	1.00	1.00	1.00	1.00	1.00
Tire and Tube General Aviation	0.10	0.10	0.10	0.10	0.10
Total	1,988.25	2,373.64	2,807.49	3,251.10	3,722.59

Senator Andrews: How were relative contributions into the Trust Fund determined? Is your proposal consistent with your previous cost allocation studies?

Mr. Trent: Our proposal for allocation of costs among aviation users is consistent with the data contained in the September 1978 Study, "Financing the Airport and Airway System: Cost Allocation and Recovery." It is also consistent with a 1973 Study on the same subject. As we discussed earlier, consistent with our objective of allocating all direct costs to aviation system users, contributions should be made as follows: Air Carrier, 58 percent; General Aviation, 27 percent; Military/Public, 14 percent; and Metropolitan Washington Airports, 1 percent.

Actual contributions, based on the Administration's revenue proposals would not recover costs exactly equal to the percentages given. Even with substantial aviation fuel tax increases, general aviation would pay somewhat less than its fully allocated share where air carriers would pay slightly more. The balance, however, is much better than under the current tax structure where general aviation pays less than 10 percent of its share.

[CLERK'S NOTE.—The studies on "The Blue Ribbon Panel" and "Aircraft Crew Complement" were provided to the committee and are on file.]

QUESTIONS SUBMITTED BY SENATOR KASTEN

AIRCRAFT LOAN GUARANTEE PROGRAM

Question: For fiscal year 1981, you are proposing to reduce the limitation on new commitments to guarantee aircraft loans from $400 million to $300 million. What is the reason for this proposed reduction?

Answer: The proposed reduction is consistent with the Administration's efforts to reduce the role of the Federal Government in the market for capital funds. The Aircraft Loan Guarantee Program is one of many throughout the Government where reductions have been proposed.

Question: Are you going to submit a proposed rescission or deferral to the Congress reflecting this proposed reduction in loan guarantees? Why not?

Answer: The proposed Administration Supplemental Appropriation Bill for FY 1981 includes language to reduce the program from $400 million to $300 million.

Question: How many loans have you guaranteed under this limitation this year, and what is the amount associated with these guarantees?

Answer: As of March 18, 1981, we have guaranteed six loans totaling $88,510,443.

Question: How much of the amount guaranteed in fiscal year 1981 is for commuter aircraft?

Answer: As of March 18, 1981, we have guaranteed four loans for commuter carriers totaling $5,104,743.

Question: For fiscal year 1982, your revised budget proposes a $100 million limitation on new aircraft loan guarantees. This is $250 million less than your January budget. What is the basis for this reduction?

Answer: We believe the basic thrust of the Aircraft Loan Guarantee Program should follow one of the principal objectives of the Airline Deregulation Act of 1978, that is, to protect and assure continued air service to small communities. The proposed FY 1982 limitation of $100 million would be used exclusively for this purpose to allow carriers to purchase aircraft primarily used to serve these small communities.

Question: You are also proposing to limit the use of these funds to aircraft with 60 seats or less or 18,000 pounds or less. What is the reason for this proposed change?

Answer: Aircraft with 60 seats or less or 18,000 pounds pay load or less are about the largest aircraft used in service to small communities, and they are also the largest aircraft the Civil Aeronautics Board (CAB) will allow a noncertificated commuter air carrier to operate. The proposed Administration limit was selected to be consistent with these uses and with the CAB regulations.

Question: Under your proposal, loan guarantees will be available for only one type of carrier--the commuter. Why should this program exist for the commuter carrier and not the local service or regional carriers?

Answer: As a result of the freedom provided by the Airline Deregulation Act of 1978, many trunklines and local service carriers have dropped service to their low-density, short-haul markets. The commuter carriers increasingly are replacing the larger carriers at small communities, as was anticipated when the Act was passed. Accordingly, the Aircraft Loan Guarantee Program was modified to include commuter carriers to help assure their ability to take over these abandoned routes. The local service and regional carriers are operating primarily turbojet aircraft between and among medium and large cities, markets generally large enough to support competitive air service. The Administration does not believe it is appropriate to subsidize with loan guarantees, those carriers operating freely in open competition with other carriers.

Question: What would the effect have been if the loan restrictions proposed for fiscal year 1982 would have been in place during fiscal year 1980? What was the total number of loans guaranteed during fiscal year 1980 and how many of these would have violated the 1982 restrictions?

Answer: In FY 1980, the FAA guaranteed 23 aircraft purchase loans of which eight were for noncommuter air carriers.

Question: What percentage of the total loan commitments made in fiscal year 1980 does this represent?

Answer: The eight loans guaranteed accounted for 35 percent of the total number of loans but 86 percent of the total loan guarantee principal.

Question: What do you estimate the cost to the public in terms of air service that would not be offered if these loans had not been made?

Answer: It is very difficult to determine just how much service the public would have lost if the noncommuters had not been able to participate in the FY 1980 program. Some of the aircraft purchases were made to replace obsolete or less efficient aircraft, while others were made to expand and initiate new services. There is no doubt that the total cost of these new aircraft, including interest, was less than the cost would have been absent the loan guarantee. However, since these aircraft represent only a portion of the fleet operated by the carriers, it is hard to assess the probable impact that their acquisition with loan guarantees would have had on ticket prices.

Question: What would have been the cost to the public in terms of reduced competition among carriers if these loans had not been made?

Answer: It is doubtful that there would have been any loss to the public in terms of reduced competition.

Question: What evidence is there that carriers were unable to obtain loan guarantees in fiscal year 1980 for the purchase of aircraft that seat 60 or fewer passengers? If none, then why is this new limitation necessary?

Answer: There is no evidence that carriers were unable to obtain loan guarantees in fiscal year 1980 for the purchase of aircraft that seat 60 or fewer passengers. The limitation of the program to the purchase of small aircraft insures that the contingent liability of the Government is increased only for providing assistance to the smaller air carriers with limited resources which are serving small communities. This is in keeping with the intent and provisions of the Airline Deregulation Act of 1978 to assist small communities to maintain a minimum level of air transportation services and the Administration policy of limiting the Federal role in the private credit markets.

Question: How many U.S. companies manufacture aircraft that seat 60 or fewer passengers? What percentage of the aircraft purchased under the 1980 loan guarantees that satisfied the proposed new limitations were purchased from U.S. manufacturers? If the proposed restrictions are enacted, how many jobs in U.S. aircraft manufacturing plants do you estimate will be lost?

Answer: There are currently about six U.S. companies that manufacture aircraft with 60 or fewer seats, although two other companies have aircraft in production or development. U.S. manufacturers produced 43 percent of the aircraft purchased in FY 1980 through the program. It is estimated that no jobs will be lost in U.S. manufacturing plants if the proposed restrictions are enacted.

Question: What is the actual additional cost, i.e. the actual government outlays, of authorizing a Federal commitment of, any $400,000,000 or $500,000,000 in loan guarantees, as opposed to $100,000,000 in loan guarantees?

Answer: This is a guarantee program, not a loan program. As such, there is no direct government outlay connected with any level of program commitment. An outlay would only occur in the event of a default.

Question: Has there ever been a default on a guaranteed loan under this program?

Answer: Not yet, but one carrier is behind on payments and may default by the end of April 1981.

Question: What was the difference in fiscal year 1980 between the fees generated by the guaranteed loan program and the program's administrative expenses? Are there any other government programs that are this profitable for the taxpayers?

Answer: The program generated guarantee fees in FY 1980 amounting to $433,929. This compares with estimated administrative expenses of $147,500. This agency has not made a study of other government programs in order to determine their profitability.

Question: Since passage of the Airline Deregulation Act of 1978, hasn't this loan guarantee program enabled local and regional carriers not only to expand their service to smaller communities, but also to compete with the major carriers on certain routes?

Answer: Local service and regional carriers have been reducing their service to smaller communities instead of expanding such services. In the past, some of these carriers have entered into competition with the major carriers. The newly formed carriers who have requested loan guarantees are in direct competition with the major carriers.

Question: What evidence do you have that the Federal Aviation Administration is better equipped than a carrier to determine what aircraft are best suited to serve the needs of that particular carrier? Aren't the proposed restrictions for this program exactly the type of Federal regulation of air carrier commercial practices that deregulation was intended to eliminate?

Answer: This agency does not make judgments as to whether the types of aircraft selected by the carriers are best suited to a carrier's needs.

The proposed restrictions on the size of aircraft that may be purchased with a guaranteed loan are intended to provide assurance that the program is used to further certain objectives of the Airline Deregulation Act, which are to assist air carriers to obtain aircraft that can be used for maintaining and developing air service to small communities.

Question: Wouldn't a continuation and expansion of the loan guarantee program have a more beneficial impact on competition among carriers and service to the public than the restricted program the FAA has proposed?

Answer: No. As evidenced by the significant changes in the operating route systems of most every certificated carrier, the public has seen a dramatic increase in new competitive and new route services as a result of the Airline Deregulation Act. Most of this competition was initiated without the use of aircraft loan guarantees. The Administration believes the role of the Federal Government in the competition for markets and capital funds should be reduced not increased.

Question: Aren't small aircraft such as the Boeing 737 and DC-9 that may be purchased under the existing program more adaptable to a wide variety of different routes and services, and therefore to changes in consumer demand, than the aircraft determined by the FAA that are suitable only for commuter service?

Answer: Small turbojet aircraft such as the Boeing 737 and the Douglas DC-9-30, which seat around 100 passengers, are not as suitable for small community service as turboprop aircraft seating 60 or less passengers. This is borne out by the evidence of the number of points that have been abandoned or where service has been suspended by the certificated carriers. Since the Deregulation Act was passed in October 1978, 90 communities have had their service suspended by certificated carriers, and most, if not all, of these communities have been provided substitute air service by commuter airlines, using turboprop aircraft. The typical flight stage length of a commuter airlines is 111 statute miles. Also, 87 percent of commuter markets have stage lengths of 250 miles or less, and 60 percent have stage lengths of 150 miles or less. Turbojet aircraft are not as economical for short-haul operations as turboprop aircraft.

QUESTIONS SUBMITTED BY SENATOR CHILES

AIR TRAFFIC CONTROLLERS LEGISLATIVE PROPOSALS

Question: As you know, Congressman Clay has introducted a bill (H.R. 1576) that would provide a number of benefits to air traffic controllers, including salary ceilings of approximately $84,000; retirement eligibility after 15 years; inflation adjustments of 1.5% for every 1% of increase in the CPI and a shortened work week. These additional benefits are to compensate for the claimed high tension and pressure aspects of the air traffic controllers' jobs. What is the FAA and/or Administration position on this legislation?

Answer: We have not had an opportunity to fully assess the ramifications of the bill. Most of the proposals represent a significant additional cost to the Federal government at a time when a reduction in the Federal work force and the Federal budget is desired. It appears that the bill would provide for significantly more pay and other benefits for a relatively small group of government employees which would set them apart from the rest of the Federal work force. The Professional Air Traffic Controllers Association has included the provisions of H. R. 1576 among their union proposals for contract negotiation with FAA. These negotiations are ongoing. At this time, the FAA has not taken a final position regarding pay and benefit areas included in the bill.

Question: Do all air traffic controller positions experience the same work pressures, or do those working in the enroute facilities where an individual may be tracking 6 or 8 aircraft simultaneously actually experience greater pressures?

Answer: Air traffic controllers have historically claimed that on-the-job pressures and stress are a major factor in the performance of their control work. As a result of a 5-year medical study conducted by Dr. Robert Rose, then assigned to the Boston University, we found that there was essentially no more stress associated with this type of job than the stress encountered by many other occupations such as nurses, clerical workers required to produce high productivity results and many other occupations including that of airline pilot. From an air traffic point of view, the peak pressures encountered by en route air traffic controllers and terminal air traffic controllers are the same. En route and terminal workloads should not be considered separately. This is particularly true for those controllers working in the radar environment.

Question: Are prospective FAA inspectors screened to select those who can accommodate to the pressures of the job?

Answer: An applicant must pass a written test, administered by the Office of Personnel Management (OPM), which was designed to predict possible success as an air traffic controller. A psychiatric evaluation is part of the pre-appointment medical examination. During a pre-employment interview the interviewer normally looks for personality traits which might indicate that the candidate is unable to cope with stressful situations - (nervousness, anxiety, etc.).

Question: Will the proposed replacement of the enroute computerized traffic control system ease the pressure on the air traffic controller?

Answer: The proposed replacement of enroute computerized traffic control systems will undoubtedly confront the controller with a new "learning curve" to assimilate the different "knobology" and advanced display techniques. Essentially, however, the objective of the computer replacement is to increase the capacity of the air traffic control system and to improve its reliability. The techniques of controlling traffic will remain essentially the same until the next decade when planned data link technology permits different means of communication.

OPERATION/ADMINISTRATION OF AVIATION STANDARDS PROGRAM

Question: The Committee has received complaints from general aviation sources that FAA has overly rigorous and numerous safety standards, many of which add little to safety and are expensive to comply with. Is FAA reviewing its aviation standards program to determine which of its standards or regulations could be eliminated?

Answer: Yes. The Administrator-Designate has shown a deep interest in our regulatory program. We are conducting a series of briefings for him to review the entire aviation standards rulemaking program, in keeping with the spirit of Executive Order 12291 issued by the President on February 17, 1981. Until that is done and the Administrator is "ip-to'speed", it is inappropriate for us to comment on what rules we will be reviewing, but we expect them to include some of the key regulations affecting general aviation.

ADMINISTRATION OF MEDICAL PROGRAMS

Question: FAA develops and enforces regulations governing the mental and physical fitness of pilots and other persons where health affects safety in flight. What category of people other than pilots do these standards apply?

Answer: In addition to pilots, these standards apply to Flight Engineers and Air Traffic Controllers who are not employed by the Federal Aviation Administration (FAA). Physical standards which apply to FAA-employed Air Traffic Control Specialists are issued by the Office of Personnel Management.

Question: A 1978 report noted that human factors are the last unexplored frontier in aviation safety. What has the FAA spent on human factors research over the last 5 fiscal years?

Answer: For the five fiscal year period 1977 through 1981, the Federal Aviation Administration expended 11.2 million dollars on human factors research.

Question: What is the human factors research request for Fiscal Year 1982?

Answer: The Federal Aviation Administration in its 1982 budget requested 3.1 million dollars for its human factors research program.

Question: What specifically has FAA learned from this research, and how has it been applied? What does FAA hope to learn from the research proposed for Fiscal Year 1982 on this subject?

Answer: Extensive human factors research has been conducted in the past in the areas of workload analysis (both pilot and controller), training, flight simulation, flight information transfer, advanced flight displays (head-up and situational and cockpit standardization). Present activities may be grouped in the following areas:

- Cockpit Certification and Standardization
- Cockpit Workload
- Cockpit Systems/Display Development
- Air Crew Performance
- Medical Standards
- ATC Personnel Selection
- ATC Performance and Workload
- ATC System Development
- ATC Procedures
- Airways and Facilities Maintenance
- Cockpit/ATC Interface
- Flight Service Station Evaluation
- Airport Ground Visual Aids

The results from these ongoing efforts have included the consideration of human performance limitation in the design process. In addition, we are planning for additional research in human factors.

This Aviation Human Factors Research Program has been established to address these problems and many others. The program will: (1) develop a human factors knowledge base to support policy and decisionmaking; (2) improve pilot-controller and man-machine interfaces to enhance safety capacity, and productivity; (3) facilitiate further system automation; (4) conduct directed research and development on high priority human factors problems; and (5) develop increased awareness and involvement of the aviation community in human factors problems.

The program is a new, major, international commitment by the Department of Transporation and the Federal Aviation Administration to advancing the state-of-the-art in applied aviation human factors--a commitment realized through the wide involvement of the technical and aviation communities. The results of the program will influence nearly every aspect of air transportation, favorably impacting safety, reliability, and efficiency.

OPERATIONS - REDUCTION IN PERSONNEL PROPOSED

Question: The Administration has proposed a net reduction of 2,681 positions and $85,313,000 to the revised 1981 levels. How many of these 2,681 positions are air traffic controllers?

Answer: The Air Traffic Activity is being reduced 1,279 positions of which 800 positions are in center and terminal facilities.

Question: The revised budget material (p. 120i) stated that "revised aviation activity forecasts indicate a reduced requirement for air traffic controllers." Please provide the Committee with information regarding how the trends in volume of air traffic have changed since January. Specifically, how have they changed from those printed in the original justification material (p. 16)?

Answer: Activity counts through the first four months of FY 1981 indicate that even the greatly reduced expectations for the year may not be realized. I will provide this comparison for the record.

Aviation Activity October-January 1981 Versus
1980 Compared to Forecast FY 1981 Versus
FY 1980 Activity (In Millions)

	October-January (Actual)			Fiscal Year		
Activity	1980	1981	Percent Change	Actual 1980	Estimate 1981	Percent Change
IFR Aircraft Handled	9.9	9.7	-1.6	30.1	30.2	+0.3
Total Operations	21.2	19.9	-6.3	66.2	62.7	-5.3
Instrument Operations	12.2	12.5	+2.2	38.2	40.7	+6.5
Flight Services	20.9	19.4	-7.0	64.3	60.3	-6.2

FACILITY PART-TIMING AND CLOSURE

Question: Another justification given for the proposal to reduce 2,681 operations positions is that FAA intends to review FAA facilities that no longer meet retention criteria and close these facilities or reduce their hours of operation. When will this review be completed? Does FAA plan to continue to seek Congressional concurrence prior to taking these actions?

Answer: We continually review control tower activity to identify candidates for part-timing under our criteria. We then do a staff study on each location to determine whether it is feasible to reduce operating hours. We expect to complete our review of control tower decommissioning criteria in August 1981. Specific Congressional concurrence is not required to part-time or decommission control towers but we do notify the Senators and Representatives concerned prior to taking the action.

We have completed our review of flight service stations that are candidates for closing or part-timing. We will continue to seek Congressional concurrence in fiscal year 1981 as directed by this Committee.

DISCONTINUANCE OF UNECONOMICAL AIRPORT TRAFFIC CONTROL TOWERS NOT PURSUED IN THE PAST

Question: Since 1956, FAA has revised the Airport Traffic Control Tower discontinuance criteria twice, in 1969 and in 1975. Each revision has made the criteria more strict. Through this period, FAA has retained "Grandfather" clauses. These clauses allowed FAA to evaluate a tower for discontinuance based on the criteria that existed at the time the tower was established. Thus, these clauses allow the continued operation of towers that would be a candidate for discontinuance if the more recent -- 1975 -- and more strict criteria was applied.

According to GAO, FAA has estimated that there are more than 100 non-towered airports which have greater aviation activity than many existing airport towers. Many of these existing towers cannot be economically justified. FAA also projects that there are over 100 nontowered airports that could meet the current (1975) establishment criteria within the next 15 years. At the same time, there are many airports with towers that have so little activity that they cannot be justified on the basis of present activity or projected activity over the next 15 years. FAA has identified, also, a few nontowered airports which have exceeded the requirements as long as 4 years ago which entitle them to a tower but still do not have a tower.

Prudent and logical management of resources in matters of safety and economy would seem to require that facilities and services be provided where criteria have been satisfied; and discontinued when and where the criteria is no longer met.

Why have the "Grandfather" clauses been retained in the discontinuance criteria from 1969 to the present, since it appears this retention permits operation of low activity and/or uneconomical towers?

Answer: The FAA has had the air traffic control tower discontinuance criteria under review since 1977. Based upon extensive analysis and taking into account public input, we have now decided to adopt economic based criteria to assess tower closures and to drop the use of the grandfather clause. In applying the criteria, however, each tower will be subject to a step by step analysis that will include (1) the possibility of reducing FAA operations cost; (2) solicitation of local input; (3) assuring that factors unique to each location that argue for continued tower operation have been considered; and (4) exploring the possibility of intensive local promotion to foster traffic growth. If a tower still remains uneconomic after those efforts, we would afford the local communities an option of cost sharing the operation of the tower.

Only if the community itself elected to decline cost participation would we move to close the tower.

Several factors in the assessment of tower closures are worthy of note. First, virtually all input we received from private citizens, aviation user groups and Members of Congress on this issue supported continued operation of towers rather than closure; very few argued any towers should be closed--where they did, the suggestion made was to close the tower in the next town, next state or next district. Second, the Congress has recently expressed strong interest in small community air service--special FAA programs have been developed to provide instrument landing capability at such facilities at satellite airports near large cities to provide instrument training relief and/or congestion relief for the major air carrier airport. As matters turned out, many of the tower closure locations previously identified fall into these categories. Thus, while we have concluded that adoption of uniform economic-based criteria for tower discontinuance is the best approach, we recognize that each closure candidate must be specifically assessed to determine if special conditions warrant continued operation.

Question: Is FAA doing anything to eliminate the "grandfather" clause?

Answer: We are developing economic based criteria for tower discontinuance.

Question: Have any of the 21 towers recommended for closure--at a savings of $5.6 million--in 1978 been closed?

Answer: None of the 21 towers have been closed. As previously indicated, each location must be reviewed on a case-by-case basis prior to closure.

Question: What is the status of the five towers that money for closure was appropriated for in 1979?

Answer: They are currently under review. A final determination has not been made since we have not completed the step-by-step process required prior to decommissioning.

Question: How can you relate good management and economy and efficiency to the situation in which FAA asks for funds to continue to operate towers that cannot be justified economically while not asking for funds to establish towers at locations that have or will exceed the criteria for establishment.

Answer: Under our present criteria only a few towers meet the discontinuance criteria and, based on our terminal area forecasts, several of them had been expected to requalify for establishment in the foreseeable future. We were reluctant to decommission a facility only to have to reestablish it a few years later. Until last year aviation activity had been increasing very rapidly at most airports. Now the situation has changed. The economic downturn, coupled with rising fuel costs, have combined to lower the forecasts of future activity. In these circumstances it is much less likely that a decommissioning candidate would quickly requalify, and we will be taking a close look at all such locations.

Question: How many towers will be proposed for closing?

Answer: We have begun an examination of all towers that meet the proposed uniform discontinuance criteria. We will consider decommissioning any tower that would not be expected to requalify for establishment within 15 years. However, an individual staff study will be required at each location to determine whether there are special considerations which warrant waiving the criteria.

Federal Aviation Administration (FAA) is not assessing the need to keep open some 24-hour control towers during periods of low volume air traffic activity. FAA seldom made required surveys of air traffic activity to identify candidates for a reduction in operating hours. For example, in two FAA regions (Eastern and Great Lakes), surveys had not been conducted since 1977. FAA has given a low priority to identifying candidates for reduced operating hours.

Question: Why has FAA not been surveying traffic activity to identify candidates for a reduction in operating hours?

Answer: We have in fact been surveying facilities for reduction in hours. Twelve terminal facilities have been reduced from 24 hour status since FY 1978, two were in the Eastern Region and one in the Great Lakes Region. The facilities were located at Williamsport, Pennsylvania, Newport News, Virginia, and Battle Creek, Michigan.

Question: How will FAA assure control towers are periodically monitored for identifying candidates for reduction?

Answer: We have a national program established for this purpose, as identified in FAA Order 7232.5E "Reducing Operating Hours for Airport Traffic Control Towers/Approach Control Facilities." As a matter of fact we have recently reemphasized the requirements of the order and tasked regional offices with action that will enable us, and the regional offices, to keep track of action to reduce operating hours for candidate facilities that meet the criteria.

Question: How many facilities will experience reduced hours?

Answer: We have identified 37 potential candidates for reduction in hours.

After surveying control towers and identifying candidates for reduced operating hours, evaluations should be made to assure no adverse impact on safety and little or no inconvenience to users if a tower is part-timed. Some regional offices do not document decisions or complete these evaluations after identifying control tower candidates for part-timing. For example, two FAA regions (Eastern and Southern) identified 25 control towers as part-timing candidates in 1977 and 1978, respectively, but no further evaluation action has been taken.

Question: Why has FAA not pursued the follow-up evaluations necessary to determine whether to reduce or retain operating hours? By part-timing a control tower, FAA can often eliminate one authorized air traffic controller position.

Answer: We have had follow up evaluations at many of the facilities. However, in some cases we have encountered considerable local community opposition to part-timing a particular facility. As a result of this opposition additional evaluation is required to pursue the part-timing effort. Regions have delayed this follow up action in order to accomplish other high priority projects.

Question: Could part-time control towers release air traffic controllers to fill vacancies at control towers and reduce recruiting and training additional air traffic controllers?

Answer: Yes, as a matter of fact we estimate a savings of 60 positions as a result of part-timing the 37 control towers.

CONTROLLER POSITIONS

Question: The January budget justification material (p.24) argued for an additional 372 controller positions needed to staff new Terminal Control Areas and new Terminal Radar Service Areas. How will these new facilities be staffed in view of the proposed reduction of 2,681 positions?

Answer: These are additional services rather than new facilities. The January budget justifications were not based on the new activity forecasts. The lower staffing levels dictated by the newer forecasts will allow us, within the requested staffing, to proceed with our program to establish additional Terminal Control Areas and Terminal Radar Service Areas.

NEW FACILITIES

Question: The January budget justification (p. 28-33) listed the facilities scheduled for opening in 1982. Is that list still valid? If not, please supply the Committee with a new list. How will these new facilities be staffed in view of the proposed reduction of 2,681 positions?

Answer: The list of major new facilities expected to be commissioned during fiscal year 1982 is correct. Development of our budget submission now before the Congress included consideration of the requirements for new facilities. As submitted, the budget will provide sufficient staffing for their commissioning and initial operation.

COMBINING THE RESEARCH, ENGINEERING AND DEVELOPMENT AND FACILITIES, ENGINEERING AND DEVELOPMENT APPROPRIATIONS

Question: The Administration has proposed a 127 position, $9,810,000 increase to the Research, Engineering and Development program for a total program of $104,810,000 to be funded out of the Trust Fund. Is this increase intended to offset the elimination of all appropriated funds, a $23,500,000 reduction in the Facilities, Engineering and Development category?

Answer: Yes sir. Our amended submission this year requests no new budget authority under the Facilities, Engineering and Development appropriation. The revised budget calls for $2,000,000 less than the previous budget and the combining of the Engineering and Development activity of the old account with the Research, Engineering and Development appropriation. This transfer resulted in a $9,810,000 and 127 position increase in the Research, Engineering and Development appropriation. The balance of our previous request, $1,690,000 is to be funded under the Facilities and Equipment appropriation.

Question: In the Administration's February 17 publication entitled, "New Beginnings: A Program for Economic Recovery," the statement was made that while the merit of R&D is beyond question, in times of austerity reduction and postponements should be made. In the spirit of this statement, why can't deeper cuts be made to FAA's R&D program?

Answer: In the formulation of our FY 1982 R&D program, it was subjected to a series of critical reviews to assume that it only contained the activities associated with the highest priorities. The requested program is in full consonance with the Administration's policy.

ADMINISTRATION OF THE AIRPORTS PROGRAM

Question: The Administration has requested $25,532,000 and 534 positions to administer the Airports program. With the expiration of the ADAP program September 30, 1980, and the fact that it is unlikely to be reauthorized before August 1981, what efforts have been made to effectively employ the program personnel?

Answer: The $25,532,000 and 534 position request was included in the previous Administration's budget request. This has been reduced to $24,253,000 and 492 positions in the current Administration's FY 1982 budget.

About one-half of the Airports program staffing normally perform functions other than grant administration involving safety programs and engineering standards. Included are the development of safety standards for airport configuration, runway length, taxiway clearances, lighting equipment, pavement design, construction specifications, maintenance procedures and assurance of obstacle free approach surfaces. The preparation and implementation of these standards also requires coordination with the International Civil Aviation Organization pursuant to treaty obligations for developing common and worldwide accepted safety standards. Another important function involves airport certification. Under this program an airport must be issued an airport operating certificate before Civil Aeronautics Board certificated air carriers can operate out of that airport. This requires annual inspections and follow-up enforcement actions to insure that these airports meet all prescribed safety standards. In addition, we are carrying out a number of other safety programs such as the airport data collection function needed for preparation of airport publications and aeronautical charts, a bird control program to reduce hazards from bird strikes and a runway surface treatment program to reduce slipperiness and hydroplaning conditions. In response to specific requests, we provide advisory services to sponsors on the safe and efficient operation of airports.

Although new grant legislation is still under consideration by the Congress, development of region wide funding needs and acceptance and review of grant applications continue to receive emphasis. This effort will ensure that as many grants as possible will be issued in the short time frame available between expected passage of the new legislation and the end of Fiscal Year 1981. For high priority work, everything short of the actual execution of the grant will be accomplished or will be developed to a point where accelerated accomplishment is possible. The anticipated workload in this regard is almost the same under a normal grant program year.

The environmental workload of the Airports program has not diminished with the expiration of the ADAP program. One reason for this is that some airport sponsors are continuing to submit environmental assessments to FAA for advance processing in anticipation of a future grant program. Another reason for the continuing high level of workload is that the Airports program is involved in the environmental review and approval of other FAA actions besides the grant program. Examples are environmental review of airport layout plans, releases of airport property, new airport locations, and actions by other FAA offices which involve Airports program personnel.

General aviation safety is becoming more and more recognized as critical by the aviation community and the general public. Many accidents occur at or near general aviation airports. To the extent personnel are available, increased assistance and guidance will be provided to general aviation airports as a means of enhancing safety levels.

As provided by the Aviation Safety and Noise Abatement Act of 1979, sponsors may develop noise exposure maps and noise compatibility programs. Now that the FAA has issued implementing regulations for Part 150 in February 1981, the Airports program will be called upon to play a significant role in assisting sponsors in preparing maps and programs and in their review and approval. Based on experience to date, this is expected to generate considerable workload in an area which is relatively new.

In addition, there are many activities that require continuing assistance even during the absence of a new annual grant program. They are as follows:

1. Planning

   - Update airport layout plans
   - Conduct joint planning conferences at selected locations
   - Update National Airport System Plan based on changes occurring as a result of Airline Deregulation Act, changes in aeronautical levels, and new information including examination and incorporation of heliport requirements

2. Grant Administration

   - Continue ADAP project inspections
   - Review and comment on planning accomplished under the PGP
   - Develop a new automated data processing system for project programming and fund control
   - Grant payments
   - Audits and project closeouts

3. Safety and Compliance

   - Continue emphasis on airport certification program
   - Administer FAA safety data collections (Form 5010)
   - Conduct field compliance reviews of grants
   - Continue emphasis on handicapped program, including meeting transition plan requirements
   - Update obsolete property maps

4. Advisory Services and Training

   - Continue airport advisory services
   - Conduct pavement evaluations
   - Within available resources, train Airport personnel

5. Update Standards to Reflect State of the Art

   - Firefighting and winter operations equipment and procedures
   - Airport configuration, capacity and safety needs
   - Pavement and lighting technology
   - Terminal buildings accessibility requirements

GRANTS-IN-AID FOR AIRPORTS

Question: The Committee has heard from several airports in Florida that have pending Airport Development Aid Program proposals, including the Southwest Florida Regional Airport, the Arcadia Airport and an airport proposal in Haines City, Florida. Once the ADAP legislation is reauthorized, does FAA anticipate any problems with the funding proposals for these airports? Please provide a list of Florida airports that have pending ADAP proposals, along with dollar amounts for each one.

Answer: The Southwest Florida Regional Airport would be classified as a primary airport not subject to defederalization. It would qualify for about $1.1 million in apportionment funds in fiscal year 1981 and amounts slightly higher in subsequent years. We believe ample funding will be available over the several years during which the airport will be constructed to satisfy all the airport's safety and priority needs. With regard to Arcadia Airport and the proposed airport for Haines City, no preapplications for funding have been submitted to the FAA. Therefore, we cannot determine at this time what problems may be associated with the funding of these locations. Since both airports are general aviation facilities, they would have to compete along with all airports other than primary airports for the state apportionment funds made available to Florida (about $1.9 million in fiscal year 1981). Following, for the record, is a list of Florida airports having pending ADAP preapplications on file:

REQUESTS ON FILE FOR PRIMARY AIRPORTS IN THE STATE OF FLORIDA

Daytona Beach Daytona Beach Regional	**$ 762,880**
Fort Myers Southwest Florida Regional	**22,861,792**
Miami Miami International	**10,736,475**
Miami Miami International	**2,864,218**
Naples Naples Municipal	**607,289**

Orlando	Orlando International	16,451,073
Orlando	Orlando International	7,200,000
Orlando	Orlando International	14,886,274

REQUESTS ON FILE FOR PRIMARY AIRPORTS IN THE STATE OF FLORIDA

Panama City	Panama City-Bay County	$ 1,923,919
Pensacola	Pensacola International	95,670
Pensacola	Pensacola International	1,063,340
Pensacola	Pensacola International	825,696
Sarasota	Sarasota-Bradenton	1,148,996
Tampa	Tampa International	165,000
Tampa	Tampa International	2,706,489
Valparaiso	Eglin Air Force Base	126,684
TOTAL		$ 84,425,795

REQUESTS ON FILE FOR AIRPORTS OTHER THAN PRIMARY AIRPORTS IN THE STATE OF FLORIDA

Bartow	Bartow Municipal	$ 271,680
Bartow	Bartow Municipal	88,500
Brooksville	Hernando County	409,900
Cocoa	Merritt Island	178,253
Crestview	Bob Sikes	99,936

Cross City Cross City	129,021
Deland Deland Municipal	435,990
Destin Destin-Fort Walton Beach	89,200

REQUESTS ON FILE FOR AIRPORTS OTHER THAN PRIMARY AIRPORTS IN THE STATE OF FLORIDA

Fernandina Beach Fernandina Beach Municipal	$ 165,512
Fernandina Beach Fernandina Beach Municipal	197,530
Fort Pierce St. Lucie County	90,000
Jacksonville Herlong	185,234
Jacksonville Craig Municipal	63,000
Jacksonville Craig Municipal	80,352
Kissimmee Kissimmee Municipal	482,387
Lake City Lake City Municipal	559,160
Lakeland Lakeland Municipal	45,608
Live Oak Suwannee County	93,531
Milton Milton T	53,152
Ocala Ocala Municipal	184,454
Okeechobee Okeechobee County	415,605
Ormond Beach Ormond Beach Municipal	124,112
St. Augustine St. Augustine	321,404

St. Augustine	
St. Augustine	**22,640**
St. Petersburg	
St. Petersburg-Clearwater International	**3,244,050**
Sanford	
Sanford	**35,820**

REQUESTS ON FILE FOR AIRPORTS OTHER THAN PRIMARY AIRPORTS IN THE STATE OF FLORIDA

Titusville	
Titusville-Cocoa	**$ 80,744**
Vero Beach	
Vero Beach Municipal	**1,121,310**
Zephyrhills	
Zephyrhills Municipal	**29,718**
TOTAL	**$9,297,803**

ADMINISTRATION'S PROPOSAL TO USE TRUST FUNDS FOR FAA OPERATING EXPENSES

Question: The Administration has proposed to shift substantial portions of FAA funding to the Trust Fund that has been previously available for airports. Many airport managers have expressed concern to the Committee on this matter expressing the view that these funds were raised for airports through special taxes and now should be diverted for other purposes.

Why is the Administration proposing to divert Trust Fund revenues away from airports where they are needed and for which purpose they were raised?

Answer: There would be no diversion of funds from their intended purpose. Airport and Airway Trust Fund revenues were intended to cover a variety of expenses, including airport grants; facilities and equipment; research, engineering and development; and certain operations and maintenance expenses. The particular expenditures authorized for each purpose are a matter of national policy as defined in the legislation. Originally, airport grants were intended to be a small portion of expenditures, comparable to the amounts spent on F&E. Over the years, the grant share has grown to almost three times the F&E share, and has become a larger and larger portion of Trust Fund outlays. The Administration proposal would reverse this trend and return the major responsibility for financing airport development to where it properly belongs: with the airport sponsor. We believe that, far from failing to follow Congressional purpose, our proposal more nearly reflects the original Congressional intent than does the generous airport subsidy program which finally evolved.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess.

[Thereupon at 11:50 a.m., Monday, March 30, the subcommittee was recessed, to reconvene Friday, April 3.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

FRIDAY, APRIL 3, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Burdick.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

The Subcommittee on Transportation today is hearing a number of outside witnesses.

In order to be fair to everybody, we've got a wonderful machine here that we use for our own colleagues who tend to get long winded. Of course, outside witnesses would never be long winded, and you will find when you are safe, the blue light will go on. When you are in jeopardy, the yellow light will appear, and when the red light appears, you had better stop.

If you wish, of course, you may summarize your statement. The entire statement will be in the record, and the better job you do of summarizing, the more time, of course, we have available for questions to get into the record, so the length of the record that you establish this morning is essentially up to you. If you spend it all on your prepared statement, that's about all there is going to be time for in the record.

STATEMENT OF LAWRENCE C. CUSHING, PRESIDENT, NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

ACCOMPANIED BY EDWARD HUIE

Senator ANDREWS. Having been forewarned, the first witness is from the National Association of Air Traffic Specialists, Mr. Lawrence Cushing, president. Mr. Cushing.

Mr. CUSHING. Thank you, Mr. Chairman.

First, I would like to thank you for the opportunity to be here, and I would like to introduce my colleague, congressional liaison, Mr. Edward Huie.

I will summarize this statement that you have. I would like to take it in point of order.

No. 1, the restrictions on the closures of flight service stations, which is now part of the law. For about the last 5 years, the appropriations law has contained that language that prohibited funds to close in excess of five flight service stations. I can assure you that's the only reason some of them still remain. It's been a very effective control, since the estimated cost to close a station ranged from $20,000 to $40,000.

Over the past two or three decades, the FAA has dedicated most of its resources to the safety of scheduled air carriers and has paid little heed to the safety of general aviation, and the numbers tell quite a story. There's 2,200 scheduled carriers, and about 200,000 other types of general aviation aircraft. I think keeping that language in the law is very, very important.

The second point is the restrictions on reductions in hours of service of flight service stations. The statutory restriction prohibits the closing. Federal Aviation Administration came up with an innovative idea of part-timing. Many stations have been part-timed, which reduces their effectiveness, and despite the language of the law, there still continues to be part-timing on the basis of emergency action, because they don't have the personnel to keep them open.

We strongly urge that the restriction be continued and that monitoring continue to guarantee there is no way to get around the language of the law.

The next point is the proposed reduction of authorized positions in the flight service system. During the past many years, the flight service system has operated under a staffing mandate of 5,000 positions. The mandate has nothing to do with what we do, how much we have to do, or the way we have to do it. It's an arbitrary number which has been established and maintained.

Consequently, workload has increased dramatically, staffing has remained almost static, and we would urge the agency's position now appears to be a cut of some 409 flight service positions in the 1981 and 1982 budget, and we would very strongly urge that this not be permitted. It is going to damage the system and drastically affect general aviation safety and aviation safety in general.

The last point that I will talk about is the modernization of the flight service system. I would point out it is Congress that has mandated the limited action that has already been taken. The agency, left to its own devices, did nothing. Congress mandated that some action be taken to provide an automated system.

We are pleased with the Administrator's planned deliberate speed and make haste slowly policy which has been announced by the Congress and a consolidation sequence; limited automation, establish automated facility; demonstrate quality of service; develop local consolidation plan; and then consolidate.

We especially like the "demonstrate quality of service" to guarantee that the final system will be as good as, and hopefully much better than, what we now have.

Thank you, Mr. Chairman.

Senator ANDREWS. Of all these, I would think you would want to stress the fact that the Administrator's planned deliberate action policy is one that you want to see followed and you would like to have this committee so structure the appropriations to be able to move that along.

Mr. CUSHING. That's correct, sir.

Senator ANDREWS. I appreciate very much your testimony. It's an excellent one. Be assured the committee will take it to heart.

Mr. CUSHING. Thank you, sir.

[The statement follows:]

STATEMENT OF LAWRENCE C. CUSHING

Mr. Chairman and distinguished members of this Subcommittee, I am pleased that once again you have provided me with the opportunity to appear before you and to express my thoughts and opinions on the DOT/FAA FY 1982 budget requests. I am accompanied by Mr. Edward L. Huie, our Congressional Liaison.

The Flight Service System is an integral part of the Air Traffic Control System and flight service missions are set forth on page 49 of the 1982 Budget Justifications. There are about 300 flight service stations throughout the United States. The personnel who staff the Air Traffic Control System are called:

Air Traffic Control Specialist (Station)
Air Traffic Control Specialist (Terminal)
Air Traffic Control Specialist (Center)

This statement will address six major areas of concern as follows:

1. The restrictions on closures of flight service stations;
2. The restrictions on reductions in hours of service of flight service stations;
3. The proposed reduction of authorized positions in the Flight Service System;
4. Modernization of the Flight Service System;
5. Weather advisory service at enroute air traffic control centers;
6. Aviation safety.

THE RESTRICTIONS ON CLOSURES OF FLIGHT SERVICE STATIONS

For about the last five years the Appropriations law has contained language that prohibits the use of appropriated funds to close in excess of five flight service stations. This has proved to be very effective control since the estimated costs to close a station range from $20,000.00 to $40,000.00 each.

Over the past two or three decades the FAA has dedicated most of its resources to the safety of scheduled air carriers (about 2,200 aircraft) and has paid little heed to the safety of general aviation (about 200,000 aircraft), the prime user of flight services. Whenever personnel positions were required for new projects it was a simple matter to close flight service stations and provide the positions elsewhere. These actions were taken with no apparent regard for air safety in the local area affected.

It was for these reasons that Members of the Congress acted in the Appropriations Bill to protect the flying public in their states and congressional districts. Other Congressional Committees took parallel action for the same reasons in the Airport and Airway Development Act (ADAP) which has now expired.

The language in the 1981 Appropriations Bill is the only statutory barrier standing between general aviation safety and disastrous closures of stations by the FAA.

Our plea to you is to continue this restrictive language in the Fiscal Year 1982 Appropriations Bill.

THE RESTRICTIONS ON REDUCTION OF HOURS OF SERVICE OF FLIGHT SERVICE STATIONS

With the statutory restriction which prohibited the closing of flight service stations, the Federal Aviation Administration came up with an innovative idea called "part-timing". In this case the FAA, through its Regional Directors, would reduce the hours of service at a particular station by eliminating one or two of the three shifts and transferring the personnel to other locations. Mr. Chairman, you may have heard of this scheme from your flight service stations at Dickinson, Grand Forks, Jamestown or Minot.

To counter this circumvention, this Committee took control of the matter with report language as follows:

> ". . . . ., the Committee directs that no reduction in hours of service nor closure of any flight service station be undertaken without prior approval of the Appropriations Committees."

While the FAA violated this mandate on several occasions, we understand that they are now quite attentive to the requirement.

We petition you, Mr. Chairman, and members of this Committee to continue this language in your 1982 report.

THE PROPOSED REDUCTION OF AUTHORIZED POSITIONS IN THE FLIGHT SERVICE SYSTEM

During the last three years the Congress has increased the number of authorized positions for flight service by 68 (10 in 1979, 25 in 1980, and 33 in 1981). The rationale for these increases (Senate Report No. 96-932) is straightforward: "During the past 10 years the workload of FSS personnel has increased over 100 percent, while staffing has risen only 10 percent." In the 1982 Budget Justifications (page 43) the FAA projects activity growth trends for flight services in 1980/1981 to be +4.4 percent and in 1981/1982 to be +6.0 percent.

And yet we hear in testimony that the FAA now proposes a reduction of 409 positions in flight service.

Such a proposal sets the stage for disasters. Even the FAA admits in testimony that the Flight Service System does not meet user demands with the number of positions now authorized.

Surely the FAA can find fertile areas for reductions other than the air safety operating forces. One only needs to look as far as the FAA's Regional Headquarters offices to find enormous duplication and wasted effort. A quick study of the FAA telephone directory reveals many areas of administrative duplication in the eleven regions - why not consolidate regions?

We plead, Mr. Chairman, that you maintain the Flight Service System at the current authorized level of 5,068 positions.

MODERNIZATION OF THE FLIGHT SERVICE SYSTEM

Even after two to three decades of neglect and inattention, the FAA failed to recognize the Flight Service System as deficient and unable to meet demands in a user world that required more and more attention and service.

The Congress recognized the problem and forced the FAA into action. Since that time the FAA has done reasonably well in moving along with the modernization program.

We are pleased with the Administrator's planned deliberate speed or "make haste slowly" policy (which has been announced to the Congress) in the consolidation sequence which follows:

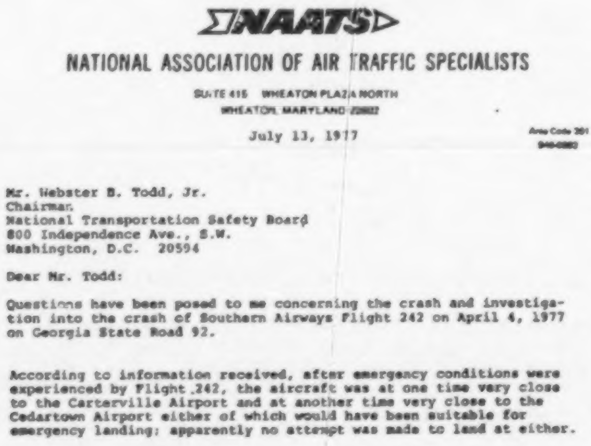
1. Limited automation at existing FSS;
2. Establish automated facility;
3. Demonstrate quality of service;
4. Develop local consolidation plan;
5. Consolidate.

We especially like the "demonstrate quality of service" prior to consolidation so that all of us can be assured that airmen will receive all possible safety information with the new station. Since the first consolidation is not scheduled until 1983, the restrictive measures previously mentioned relative to closures and part-timing become even more meaningful.

We strongly support the announced modernization program but are disappointed to hear of the postponement in construction of three buildings.

WEATHER ADVISORY SERVICE AT ENROUTE AIR TRAFFIC CONTROL CENTERS

On July 13, 1977 I wrote the Chairman of the National Transportation Safety Board relative to the crash of Southern Airways Flight 242 on April 4, 1977 as follows:



NAATS
NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS
SUITE 415 WHEATON PLAZA NORTH
WHEATON, MARYLAND [illegible]

Area Code 301
[illegible]

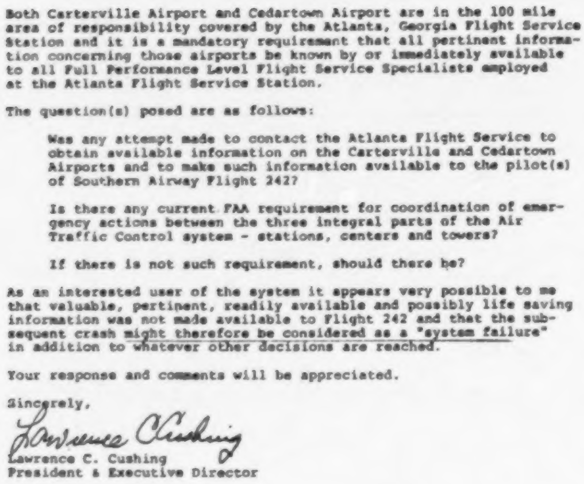
July 13, 1977

Mr. Webster B. Todd, Jr.
Chairman
National Transportation Safety Board
800 Independence Ave., S.W.
Washington, D.C. 20594

Dear Mr. Todd:

Questions have been posed to me concerning the crash and investigation into the crash of Southern Airways Flight 242 on April 4, 1977 on Georgia State Road 92.

According to information received, after emergency conditions were experienced by Flight 242, the aircraft was at one time very close to the Carterville Airport and at another time very close to the Cedartown Airport either of which would have been suitable for emergency landing; apparently no attempt was made to land at either.



Both Carterville Airport and Cedartown Airport are in the 100 mile area of responsibility covered by the Atlanta, Georgia Flight Service Station and it is a mandatory requirement that all pertinent information concerning those airports be known by or immediately available to all Full Performance Level Flight Service Specialists employed at the Atlanta Flight Service Station.

The question(s) posed are as follows:

> Was any attempt made to contact the Atlanta Flight Service to obtain available information on the Carterville and Cedartown Airports and to make such information available to the pilot(s) of Southern Airway Flight 242?
>
> Is there any current FAA requirement for coordination of emergency actions between the three integral parts of the Air Traffic Control system - stations, centers and towers?
>
> If there is not such requirement, should there be?

As an interested user of the system it appears very possible to me that valuable, pertinent, readily available and possibly life saving information was not made available to Flight 242 and that the subsequent crash might therefore be considered as a "system failure" in addition to whatever other decisions are reached.

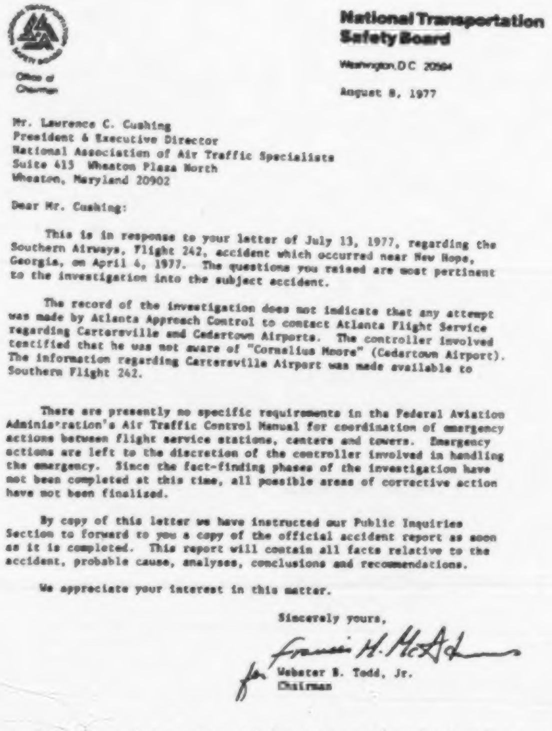
Your response and comments will be appreciated.

Sincerely,

Lawrence C. Cushing

Lawrence C. Cushing
President & Executive Director

On August 8, 1977 the Chairman responded:



Office of
Chairman

**National Transportation
Safety Board**

Washington, D.C. 20594

August 8, 1977

Mr. Lawrence C. Cushing
President & Executive Director
National Association of Air Traffic Specialists
Suite 415 Wheaton Plaza North
Wheaton, Maryland 20902

Dear Mr. Cushing:

This is in response to your letter of July 13, 1977, regarding the Southern Airways, Flight 242, accident which occurred near New Hope, Georgia, on April 4, 1977. The questions you raised are most pertinent to the investigation into the subject accident.

The record of the investigation does not indicate that any attempt was made by Atlanta Approach Control to contact Atlanta Flight Service regarding Carteraville and Cedartown Airports. The controller involved testified that he was not aware of "Cornelius Moore" (Cedartown Airport). The information regarding Carteraville Airport was made available to Southern Flight 242.

There are presently no specific requirements in the Federal Aviation Administration's Air Traffic Control Manual for coordination of emergency actions between flight service stations, centers and towers. Emergency actions are left to the discretion of the controller involved in handling the emergency. Since the fact-finding phases of the investigation have not been completed at this time, all possible areas of corrective action have not been finalized.

By copy of this letter we have instructed our Public Inquiries Section to forward to you a copy of the official accident report as soon as it is completed. This report will contain all facts relative to the accident, probable cause, analyses, conclusions and recommendations.

We appreciate your interest in this matter.

Sincerely yours,

for Francis H. McAdams
Webster B. Todd, Jr.
Chairman

It is unbelievable to this Association that no FAA requirement for coordination exists among stations, centers and towers in emergency situations.

As a band-aid measure the FAA did take action by establishing a weather advisory service at enroute air traffic control centers staffed with National Weather Service meteorologists at FAA expense and with the dissemination of the weather product performed by air traffic control specialists at the GS-14 level.

This is then a case of a completely unnecessary duplication of effort and a divided responsibility and authority for weather information which has previously been lodged with flight service air traffic control specialists at grades GS-9, 10 and 11.

Since the establishment of the center weather service units there have been two fatal crashes directly related to the duplicated effort and failure of the center weather service units. Split responsibility and authority never has worked successfully and we know of no reason why it will work in this case.

We are not requesting any action on this matter but it is passed on for your information.

AVIATION SAFETY

As Chairman and members of this Subcommittee, you will hear many, many times that we, in this great country, have the safest airways of any nation on earth. That's probably a true statement, but it is also probably true that most other powers have much lower standards and requirements than those which we have set for ourselves.

One fatal crash is a crashed aircraft with at least one fatality - such as the disaster at Chicago.

It is difficult for the members of this Association to believe, despite their best efforts, that safety is paramount in the minds of all men especially when they review fatalities in general aviation over the past five years (including commuters).

	FATALITIES
1976	1,320
1977	1,436
1978	1,690
1979	1,441
1980	1,394
	7,281

That equals over 29 (almost 30) Chicago disasters; almost six per year; and one every 60 days.

Thank you, Mr. Chairman.

STATEMENT OF W. LAWRENCE GRAVES, VICE PRESIDENT, FEDERAL LEGISLATIVE AFFAIRS, AIRCRAFT OWNERS & PILOTS ASSOCIATION

Senator ANDREWS. We now have the Aircraft Owners & Pilots Association, Mr. Lawrence Graves, vice president for Federal legislative affairs. Mr. Graves, welcome to the committee.

Mr. GRAVES. Thank you, Mr. Chairman.

The Federal Aviation Administration has asked for about $3½ billion for its budget next year. We think that's about 15 percent too much. We have submitted in our statement a list of the proposed expenditures that we feel can be deleted from fiscal year 1982 FAA budget.

None of the expenditures that we propose for deletion we think will have any effect on the regulatory or safety functions of the FAA. The total amount is $519 million.

In its statement to the committee on Monday, the FAA recommended an operating budget of $2.4 billion, which it suggested that $1.9 billion would come from the airport and airways trust fund. Neither the House nor the Senate anticipates any figure remotely approaching that $1.9 billion from the trust, so that we expect that a much greater share of the operating budget will have to come from the general fund.

In analyzing the FAA budget, we found that most of the accounts are repetitive, they are established programs. They are carried on because they have been done in the past, not because they are justified each year. Some are totally unnecessary.

We were surprised, to be truthful about it. We have rallied against the FAA for years, as you well know, on some of the unnecessary activities they carry on, but we were not really aware of the true extent until we were forced to analyze this budget by the administration's recommendation, and the aviation community pays the bills of all the FAA's activities.

In our table at the end we identified the major subject areas and it's cross-referenced to the page of the administration's budget justification. We think there may be an additional 10 percent savings if these cuts are made, because of the paperwork and personnel cost and so on, that are associated with it.

In connection with this, I noticed in reading Darrell Trent's testimony on Monday that he testified the FAA was "particularly proud of the increasing accuracy of its air traffic forecasts."

The next three pages were changes of a very significant nature downward from its forecast of a year ago.

AOPA has routinely followed the FAA's long-range forecast, and we find for the past 20 years they have been always overestimated, because they justified personnel and other costs for the agency's budget.

In his testimony, he made revisions downward of 10 to 15 percent that reflect the way the FAA estimates it is going to do in the future.

Before the yellow light goes on, I will stop.

Senator ANDREWS. Let me say this, Mr. Graves: It's refreshing to have somebody come in and not only urge cuts, but point out in a very thoughtful detailed way why those cuts could be justified.

It's doubly gratifying from my standpoint. About 20 years ago I was a member of the AOPA, so it's nice to have the organization come in with this kind of a list. We don't get that too often.

Mr. GRAVES. Thank you. We want to be constructive and educational. That is the kind of presentation we would like to make. We will follow up with this. We are still continuing to look at these justifications, and we will continue to submit to the committee our refined views as we refine them.

Senator ANDREWS. Be assured that the committee and committee staff will take a close look at the cuts you are recommending, and the reasons behind them.

Thank you very much for your appearance here today.

[The statement follows:]

STATEMENT OF W. LAWRENCE GRAVES

Mr. Chairman, members of the Subcommittee, I'm W. Lawrence Graves of the Aircraft Owners and Pilots Assocation. AOPA comprises 255,000 owner-pilots of general aviation aircraft, and our members fly about 80 per cent of the civil aircraft hours flown annually in the United States.

For comparison purposes, general aviation aircraft fly more passengers annually than 22 of the nation's certificated airlines, utilizing all of our 14,000 civil airports. In contrast, 20 per cent of the passengers on certificated airlines are generated at but five of the nation's 400 air carrier airports, and half their passengers are generated from but 25.

We have a vital stake in the issues before the Subcommittee this morning.

The Federal Aviation Administration has asked for $3.367 billion to run the agency for fiscal 1982. We think that's about ten per cent too much, and we will include in our testimony a list of specific areas and specific amounts we think can be trimmed from the FAA's 1982 budget. None of the reductions will cripple the regulatory or the air safety functions of the FAA. The precise amount is $519,500,450.

The agency's operating portion of the 1982 budget is $2.418 billion of which, it hopes, $1.950 will come from the Airport and Airways Trust Fund.

The Trust Fund was established by Congress 10 years ago to fund safety and capacity improvements to the nation's airports and airways systems. Approximately $3.6 billion lies uncommitted. As you know, the Airport Development Assistance Program expired last September 30, and the Trust Fund taxes which remain are being paid into the general fund of the United States.

In practice, the FAA for some time has sought to fund the bulk of its operating expenses from that fund -- in direct confrontation with the Congress which established the Trust Fund for other purposes entirely.

Small amounts, indeed, have been taken from the Trust Fund for specific purposes as approved by the Congress but not for day-to-day expenses of agency operation. AOPA opposes this concept and urges the Subcommittee to prevent any such raid.

Following are recommended reductions or funding levels we feel can be accomplished in the Federal Aviation Administration without prejudicing legitimate FAA operations in the slightest.

Many of these accounts are repetitive; they have become "regulars" in the FAA budget. Others represent continuing "studies" of subjects we feel have been studied enough. Still others fall into the "boondoggle" category, areas that do not contribute to aviation safety and cannot be supported especially in view of the new mood in this country for economy and efficiency at all levels of government.

In our table, we have identified the major subject areas. We also have identified them by page number from the Administration's own budget justifications. They point the way to future savings both in the coming fiscal year and in years ahead. Each of these is, in fact, merely the tip of an iceberg, with other savings in personnel and personnel administration costs alone which will pyramid in the years ahead. It would be hoped our suggestions also would ease the burden of the FAA's own efforts in meeting the new funding goals of the Department of Transportation for the coming fiscal year. We estimate those hidden savings at an additional five to ten per cent of the total for the first year alone.

We suggest the Subcommittee require the FAA in the future to submit data whenever it points to accomplishments in its justifications that would show how much had been spent, on a cumulative basis, to pay for the "accomplishment." The results would probably be enlightening.

1982 FAA BUDGET JUSTIFICATIONS: OPTIONS FOR CUTS

Budget Page	Item	Amount

General

Budget Page	Item	Amount
4	Office of Aviation Medicine	$ 4,433,000

We have made recommendations extending from two to three years the length of time for certificating private pilots with third class medicals. That and a form of self-certification as for glider pilots, for example, would help elminate need for any increase.

Budget Page	Item	Amount
4	Office of Civil Rights	2,306,000

Other offices of the federal government already are deeply involved in this matter and their services are available to the FAA.

This office has 69 positions (14 headquarters, 55 field) and a 1982 budget request of $2,804,000. It has no functions that benefit aviation users specifically or uniquely. Its objectives should be accomplished by the normal activities of the Office of Personnel and Training.

Budget Page	Item	Amount
4	Office of Public Affairs	1,814,000

We feel that a minimum Washington staff is sufficient here with slots to be eliminated in the field; a maximum of two professionals in each FAA region should suffice. In this regard, we have identified clearly a public affairs expenditure but one which is buried, deliberately, we think, in another account. We wonder how much additional public affairs money is so handled in the agency. These tactics would lead one to believe that the amount above for public affairs is small and should not be questioned. At least one such hidden account is a publication entitled, "General Aviation News." Now, as representatives of general aviation, one would assume we supported publications dealing specificially with general aviation. The truth is that much of the material appearing in the magazine is clipped or derived from other sources, and by the time we have received the publication, we have received the material form those sources direct. We think this publication, issued by the Office of Flight Operations at FAA, can be eliminated with an annual saving of at least $214,000. The masthead indicates at least three professionals are engaged directly in its production; that does not include clerical assistance. Printing and production costs are partly covered by subscription at $6.20 per year. Personnel costs, however, we estimate conservatively at $200,000 and production costs at $14,000 per year.

4 Office of Civil Aviation Security 8,057,000

This function basically remains a state and local function and the FAA does not require further funding other than for supervisory purposes.

This office has 271 positions (121 headquarters, 150 field) and 1982 budget requests of $10,831,000 in Operations and $1,825,000 for aviation security in Facilities, Equipment & Development. While its functions focus on the deterrence of violations of law and order in civil aviation by terrorists, those functions are the proper responsibility of local police and the Federal Bureau of Investigation. The exposure of civil aviation to acts of unlawful interference and terrorism is not caused by act of the aviation users. Civil aviation is simply a frequent, but not exclusive, target of terrorist activity because its offers a convenient and compact target that attracts press coverage. in most instances these terrorist activities are undertaken to bring pressure on governments to act in accordance with the wishes of the terrorists. Being a challenge to government authority and the maintenance of law and order, responses to terrorist activity should be the sole responsibility of those agencies of government primarily responsible for the preservation of law and order. Responsibility for such responses should not be diffused or imposed on the FAA which was organized for a completely different purpose.

4 Office of Airports Program 4,940,000

This function is contingent on enactment of an Airport Development Assistance Program.

4 Office of Engineering and Development 5,800,000

4 Systems Research and Development 30,000,000

These two are functions better performed by the National Aeronautics and Space Administration, and have no purpose in an FAA budget.

4 Office of Environment and Energy 1,644,000

These functions already are performed elsewhere in government, the Environmental Protection Agency and the Department of Energy.

This office has 39 positions (all headquarters) and a 1982 budget request approximating $1,808,000 ($1,644,000 in personnel costs alone) in Operations and $4,750,000 in Facilities, Equipment and Development for environmental research programs. It has been ineffective in reducing or ameliorating aviation environmental problems and has produced no benefits for aviation users despite the fact that in just the last 10 years alone over $60,000,000 has been appropriated for a continuum of studies of air pollution and control, low altitude emissions, high altitude emissions, certification procedures, technology, economics, air quality, modeling, laboratory techniques, monitoring, assessments, noise, subjective response, community involvement, land use planning, and others.

4 Office of Aviation Policy and Plans 1,391,000

We have recommended a reduction by half of funds for this purpose

4 Office of International Affairs 719,000

This request also should be reduced by one-half. Duties of this office involve primarily certification of American aircraft by foreign countries and in most cases already are spelled by terms of aviation bilaterals negotiated between the United States and other countries.

4 Office of Labor Relations 1,388,000

FAA personnel officers and the Office of Personnel Management are fully capable of caring for FAA's labor relations. All FAA employees are employees of the federal government and do not require special services envisioned by this request.

8 Medical Consultants 31,000

FAA's medical staff is fully capable of dealing with medical problems of agency personnel and outside consultants' services are unneeded.

Operations

-- Miscellaneous Offices 30,821,400

The FAA maintains a large number of small offices for various purposes that ought to be eliminated or reduced. In most cases, details of staffing and funding are not reported in either justifications or appropriations hearings. On the assumption that none of these offices could be operated for less than an average of $100,000 per office, they have been estimated at that figure in the absence of identified costs.

The following offices should be eliminated:

1 FAA Field Office in Pacific Region
239 local and area coordinators
6 Aeronautical Quality Assurance Field Offices
1 Systems Worthiness Analysis Program Office
1 Airport Reservation Office
1 Civil Aviation Assistance Group
1 Radar Sector Field Office
1 Systems Command Center, $3,030,300

The following offices should be reduced by 50%:

20 Airport District Offices
1 National Communications Center, 110 positions, $2,087,900
1 National Flight Data Center, 69 positions, $2,494,300

Economy and efficiency would be served by these reductions.

-- General Aviation News 214,000

Because this is hidden, as mentioned in the public affairs comments, it does not appear in the agency's justification. We recommend this program, and others like it, be eliminated and the agency's Public Affairs And Aviation Standards budgets be recast to reflect the true state of activities.

38 Expanded Program 4,980,000

We recommend that all but $359,000 of this program be deferred pending a review of tower requirements in the air traffic control system.

39 Chairs (Controllers') 1,000,000

This proposal represents the first increment of the purchase of new controller chairs. This amount represents the purchase of 5,000 chairs at $200 per chair. We believe controllers could make do with current chairs.

39 ATC Reassessment Study 400,000

This study is unnecessary.

42 Low Activity Towers 75,000,000

FAA already proposes to eliminate between 550 and 650 controllers in the coming fiscal year. Administrator-designate Helms has said these positions will be deleted from low-activity and part-time towers and transferred to busy towers. We recommend this sum be elminated pending implementation of that program.

This program has a 1982 budget request for 13,025 positions and $446,040,000 to operate 431 towers. Testimony submitted by the FAA in the course of hearings last year indicated that at least 61 of the airports where tower service is provided did not have sufficient traffic to meet FAA's criteria for the provision of tower service. All towers not meeting criteria should be eliminated.

53 Tech. Center Tel. Switch 3,000,000

Replacement is not essential.

53 Tech. Center Repair and Maintenance 1,886,000

Increase is unnecessary and can be deferred.

53 Aero Center Test Equipment 224,000

The FAA Aeronautical Center is in leased space in Oklahoma City and has been a laughing stock for years as a catchall for various programs largely to make good a long-term lease on the structure. Any further allocation of funds to the Tech Center should be discontinued.

57 Air Navigation Facility Monitoring of Control Circuits 124,000

58 Radar Remoting 58,000

70 Data Collection 2,422,000

-- Administration of Aviation Standards 97,084,000

This program has several subprograms which regulate manufacturers, aircraft operators, and other aviation activities. It also maintains aviation records and flight checks the air navigation system.

The proper scope of this program in its regulatory aspects should be to establish minimum rules and assume compliance unless evidence indicates otherwise. Aircraft certification should be delegated to the manufacturers. Airman education, testing and certification should be delegated to those directly involved in providing airman education and training. Staffing in the subprograms of Engineering & Manufacturing, Operation & Maintenance, Flight Programs for training, and Planning, Direction & Evaluation should be reduced by half. The remainder should be formed into (a) a few "postaudit" teams for investigation, warning, prosecution and enforcement upon evidence of violation, and (b) a small team for rule revision. The subprogram for Records Servicing should continue at the 1981 level of funding. The subprogram for flight checking of navaids should be funded and staffed as requested.

Modification of this program as recommended would be in accord with the President's objective of reducing excessive regulation.

96 ATC Controller Health Program $ 4,554,000

Recommendation: Eliminate the FAA requirement for controllers to hold Class II medical certificates and reduce the Operations appropriation by $4,554,000 and the Research, Engineering & Development appropriation by $1,250,000.

Basis: The FAA requires air traffic control specialists to hold Class II medical certificates, which is an unnecessary requirement, and covers the cost of their provision. Last year's hearings indicate the 1981 cost of this program to be $4,554,000; obviously it will cost more in 1982. In addition, the 1982 budget request for Research, Engineering & Development includes $1,250,000 for studies of controller health. Similar studies have been conducted for several years. No useful results have been produced nor have the studies settled any of the arguments about controller health, stress and work. The program is of no benefit to aircraft users.

97 Medical Exams and Travel 761,200

This item deals primarily with controllers' personal problems and, again, FAA's medical staff is currently capable of dealing with them. No additional outside medical expenses ought to be allowed.

98 Cost Adjustment 504,400

See previous item.

104 Cost Adjustment 1,368,000

In conformance with our recommendation regarding the Systems Research & Development program, no increase should be authorized.

111 Expanded Program 2,031,000

This assortment of studies and reports in repetitious and should be disallowed.

112 Safety Program and Engineering 1,332,000

The FAA claims a responsibility to inspect all airports to assure safety. There are more than 15,000 airports, of which less than 6,700 are available for public use. The FAA has never been able to actually inspect even just the public use airports annually. Testimony during the hearings last year indicated that 4,000 airports were uninspected in fiscal 1978, 1,800 in fiscal 1979, and 2,200 in fiscal 1980. Rather than attempt to do this job itself or by contract, the FAA should delegate the task to the local airport authorities and require them to submit current airport data sheets annually.

--- System Changes 6,168,000

Currently, changes in National Airspace System facilities are scheduled on a 56-day cycle of printing publication dates. Facility commissionings and changes are adjusted to fit this cycle. Shifting to a six-month cycle for various sections of the country to coincide with the printing dates of the sectional aeronautical chart series would reduce printing costs by the amount recommended, add to system stability, and minimize burdens on aircraft operators in keeping up with system changes.

FE&D

143 Airmen Evaluation 46,000

Generally, 85-90% of all accidents are caused by people. General aviation is not unique in this respect. Nothing of value has come from these studies.

144 Aviation Security 1,825,000

See comments above regarding Office of Aviation Security.

145 Aviation Medicine 2,530,000

This long series of medical studies has been unproductive.

148 Environment 4,750,000

See comments regarding Office of Environment & Energy.

153 Autopilot Replacement 250,000

Replacement is unnecessary and unwarranted.

154 Test Equipment 1,400,000

Twenty years of unproductive testing demonstrates that no expansion or improvements in these facilities is justified.

Washington Metropolitan Airports

78 Dulles Highway 66 Conversion 29,800,000

This amount should be eliminated and the project financed from revenues gained from operations of Metropolitan Washington Airports. Currently, profits from these airports are returned to the general fund and not devoted to aviation purposes. We question a need for the project since Interstate 66 and the Dulles Access Road intersect with the Capital Beltway such that the time and distance savings from this project would be minimal at best in return for a substantial expenditure of public funds.

Facilities and Equipment

233 Radars 15,523,000

While there is little question radar replacement represents a significant need in the current system, we do not feel large amounts of money should be spent until the system, itself, is defined. FAA has not done this. Provision of radars at Lake Havasu, for example, is not essential.

237 Communications Improvements 390,000

Very little equipment in a center antedates 1960 as claimed in the justifications. This request should be reduced 50%.

239 DABS Test 6,700,000

Your subcommittee last Monday asked FAA to provide a list of expenditures to date on collision avoidance systems. Funding here should be delayed pending receipt of that information and a decision by the Subcommittee in that particular area.

244 Kodiak Tower 3,318,000

Does not meet existing criteria for the retention of an air traffic control tower.

245 Towers, Modernize 5,532,000

This expansion and alteration is not essential and can be deferred.

246 Replace Tranceivers 10,342,000

Both these items should be deferred by the subcommittee pending a decision by the FAA as to where these improvements are to be made.

246 Inservice Engineering 1,045,000

There is no requirement to keep up with the state-of-the-art; only a requirement for adequacy. Present facilities are more than adequate. Knowledge that will supposedly be gained from this study should already be available.

250 FSS Improvement 2,648,700

Improvements should not be made at locations which will cease to be a part of the consolidated, modernized systems.

251 FSS Improvement 1,260,000

Again, these items also should be deferred pending information as to where these improvements are to be made and/or whether they will advance the comprehensive flight service station modernization program. The justification seem to imply that equipment will be installed at the Technical Center that could be installed at a working flight service station..

254 OKC VORTAC 1,158,050

We agree with the rationale for a VOR in the Eagle - Aspen, Colorado area which is in need of such a facility. No such justification exists for the Oklahoma City area, however, and we recommend this project be deferred.

257 ILS 21,000,000

This item also should be deferred. Every single one of the locations proposed for ILS under this expenditure already has one or more. Further funding should go to locations where none currently exists.

265 CAT III 2,201,700

Any realistic cost-benefit analysis of the CAT III program would show its cost per approach far exceeds any real or potential benefit. Very few airports have CAT III, very few airplanes have necessary instrumentation, and CAT III weather minima very seldom occur.

268-1 Systems Support 4,000,000

This seems to be duplicative and unnecessary.

270 Alaskan Aircraft 13,500,000

The FAA justifies this expenditure by the savings of 112,000 gallons of fuel -- which works out to $121 per gallon. In conjunction with this proposal we question the effectiveness of a decision to assign the North Atlantic flight inspection workload to the Alaskan Regional Office.

270 Trainer 5,300,000

This is another attempt by the FAA to purchase its very own simulator. FAA's cost estimates and its purported savings from the acquisition do not include amortization of the initial cost of the simulator. If included it would increase the annual cost of flight check training rather than reduce it.

275 Simulator Upgrade 1,900,000

This proposed expenditure could easily be deferred with little impact on the FAA mission.

RE&D

329 System Evaluation 9,000,000

Another study of "system evaluation" that appears so frequently in the FAA budget. No loss would be seen by a 75% reduction from the proposed $12 million level.

339 Beacon 3,565,000

A 50% cut in funding for this program is recommended. This is an area where program caution is required.

341 Full BCAS 3,775,000

See "Beacon" above.

342 Communications 5,000,000

As stated in the FAA justifications, this program comprises more studies of a non-essential nature.

345 Airport/Airside 3,000,000

These studies are duplicative of those already available in the private sector such as pavement needs and access for handicapped persons to airport terminals. Much of what is contemplated could be found at the Library of Congress.

348 Airport/Landside 360,000

There is absolutely no requirement for FAA research on land-side problems. This entire request could be dropped without noticing it was gone.

355 Terminal Control 3,695,000

Approximately half of these projects have an uncertain future and should be deferred pending more basic DABS/ATARS decisions.

356-2 Technology 2,133,000

These long range studies are not essential and in several instances are outside the FAA's scope of expertise.

356-5 Support 1,000,000

The LORAN effort is a wasteful, of dubious future value and an example of the meaningless studies being generated by the Transportation Systems Center.

358 Advanced Computer 15,600,000

There is no question computer modernization of some sort is vital to continued operation of the ATC system. What we have here, however, is the rush to design and build a machine, again, without reference to the system it ultimately will help control. We referred to this same kind of problem earlier in dealing with radar modernization. We already have suffered -- and are continuing to suffer -- through that same mistake. We have an antiquated computer system, antiquated literally before it went on line, which has helped shape the inadequate air traffic control system we have today. By commiting for computer purchases before we've even sketched out the system it will serve simply compounds the same mistake, in fact, repeats it but at significantly higher cost.

Presently, these computers are loaded with programs and functions which do not need to be in them such as stored flight plans of airlines, FAA administrative programs for payrolls, personnel records, air traffic analysis, and reconstruction of operational flight paths required in case of an accident, all of which could be accomplished on other computers or shifted back to airline computers in the case of stored flight plans. Such adjustments would extend the service lives of these computers and defer multiyear programming costs currently estimated at $1,000,000,000 for Research, Engineering & Development and $2,500,000,000 for Facilities & Equipment. If history is any guide, these estimates are understated and certainly do not include any of the enhancement costs characteristic of such FAA developmental programs. Moreover, the FAA has not presented a comparison of the total costs of the advanced "equipment intensive" computers and the present "labor intensive" computers. Such a comparison is essential in determining which is most cost effective.

362 Navigation 4,000,000

These studies are repetitious.

366 Approach and Landing 5,445,000

The FAA estimated last year that it would cost $650,000,000 in Facilities and Equipment funds to buy and install 1,250 of these systems beginning in FY 1983. Questions have arisen about the users' capabilities to pay for so large a program and no user has yet been bold enough to state a requirement for it. Moreover, MLS systems are available and have been installed and are being used by those few users who could justify the expense. Until some identifiable group of users are willing to state a requirement for a government provided MLS system and willing to absorb its costs, further work on the project should be deferred.

372 Aviation Medicine 1,250,000

Remarks above regarding controller health programs apply.

396 ATC Predevelopmental Program 1,129,000

The FAA maintains a program for educating applicants for controller training sufficiently that they can qualify for entry. There are ample applicants who already have the qualifications. Therefore, the program is unnecessary. Last year's hearings indicated the annual cost of this program was $1,020,000 and the 1982 budget requests an increase of $109,000, making a total of $1,129,000. While the program may have some social value, it conveys no particular benefit to aviation users and should not be funded by the FAA.

397	Centralized Training	27,674,000

The centralized training program at the Oklahoma Aeronautical Center contains a 1982 budget request for a total of 1,090 positions and $55,348,000 for training air traffic controllers. Academy training accounts for 461 of these positions and $31,273 in instructional services and student travel while distributive on-the-job training accounts for 629 positions and $24,075,000. In addition, other on-the-job training is conducted by the centers and towers. Transferring one of the instructors to each center and tower would augment adequately the training staff at each facility, allow elimination of 635 positions and a reduction in centralized training costs of at least $27,674,000.

STATEMENT OF ROBERT A. RICHARDSON, EXECUTIVE DIRECTOR, HELICOPTER ASSOCIATION OF AMERICA

Senator ANDREWS. Next we have the Helicopter Association of America, Mr. Robert Richardson, the executive director.

Mr. Richardson, welcome to our committee. We are glad to have you here. You may proceed.

Mr. RICHARDSON. Chairman Andrews and staff members present, ladies and gentlemen: I am Robert A. Richardson, and I am going to summarize my statement considerably. If you have a copy of it before you, I'll sort of begin on page 3, near the bottom. We're going to set forth recommended funding for helicopters provided in FAA's fiscal year 1982 appropriation for airport and airways trust fund under three categories, as follows:

First of all, research and development. Our recommended fiscal year 1982 authorization for the FAA for helicopter R. & D. is $18,000,050 in outside contract activity, the breakdown of which is shown in appendix 1 which is attached at the back of my written presentation.

Although this presentation relates directly to the needs of helicopters, I want to be sure you understand that several elements obviously apply to civil aviation in general.

In addition, it is estimated that about $2 million would be needed to support the FAA in-house R. & D. personnel involved in this program.

At this point I would like to stress we feel the FAA and NASA should closely coordinate their activities in the field of helicopter and rotorcraft research and development and engineering, to the end that these activities complement and not duplicate each other. With this objective as a guideline, the association recommends the FAA's fiscal year 1982 appropriation language—or that in the appropriations language, the FAA be authorized and directed to assign appropriate tasks within its helicopter-rotorcraft program to NASA, and in turn transfer to NASA such funds as may be needed to accomplish these tasks.

Examples of the kinds of tasks we have in mind which NASA might advantageously pursue in consonance with the FAA and thus in furtherance of the national interests, could include development of an integrated program for civil aviation application of the DOD Navstar GPS satellite system; participation in the development of an advanced, new generation ATC system less dependent on the present ground-based man-intensive concept and with more airspace utilization capability in the cockpit; structuring research and prototyping of advanced technology rotorcraft and other VTOL's with ultimate FAA certification criteria in mind.

An examination of appendix I will indicate other areas where NASA may have facilities and capability to perform delegated R. & D. tasks for the FAA.

Now in the airport development assistance program, in the 96th Congress, H.R. 6721 as reported out by the House Public Works and Transportation Committee defined "reliever heliports" and reserved not less than $10 million from ADAP funds for reliever heliport grants.

H.R. 2643 in the current Congress contains the same provision except that the amount has been reduced to $7,500,000.

We urge that ADAP funding authorization for reliever heliports be maintained at the minimum level as previously set forth in H.R. 6721.

As far as F. & E. are concerned, helicopter operations, for maximum efficiency and safety, require facilities and equipment which will provide highly accurate navigation and adequate communication services at low altitudes and in remote areas, as well as permit instrument approach capability at virtually an infinite number of locations on the surface.

I would like to shorten it a little bit more here by saying finally that we would like to see the aviation trust fund removed from the unified Federal budget and these funds could then be made available to the FAA only for the principal purposes for which the aviation user taxes and the trust fund were originally created: R. & D., airport and heliport development, and capital expenditures for airways/ATC facilities and equipment.

I certainly appreciate the opportunity to appear before you, Mr. Chairman, and I am prepared to answer any questions.

Senator ANDREWS. Thank you very much.

Senator Burdick?

I appreciate your coming. I noticed on page 3 and 4 of your statement, or at least the one I have here—I'll give them back to you. I thought I had vertigo when I was looking at them, but your mimeograph machine went haywire. [Laughter.]

I don't know whether that was to get our attention or perhaps there was something different about helicopters. [Laughter.]

Mr. RICHARDSON. I guess those things happen. I'll certainly see that you have a proper copy.

Senator ANDREWS. These things do happen, even in the Senate, let me assure you, Mr. Richardson.

Thank you for coming.

[The statement follows:]

STATEMENT OF ROBERT A. RICHARDSON

The Helicopter Association International (HAI), formerly called the Helicopter Association of America (HAA), is an independent, non-profit organization, the membership of which consists of all the helicopter (rotorcraft)manufacturers of the United States as well as just about all of the operators of helicopters in this country.

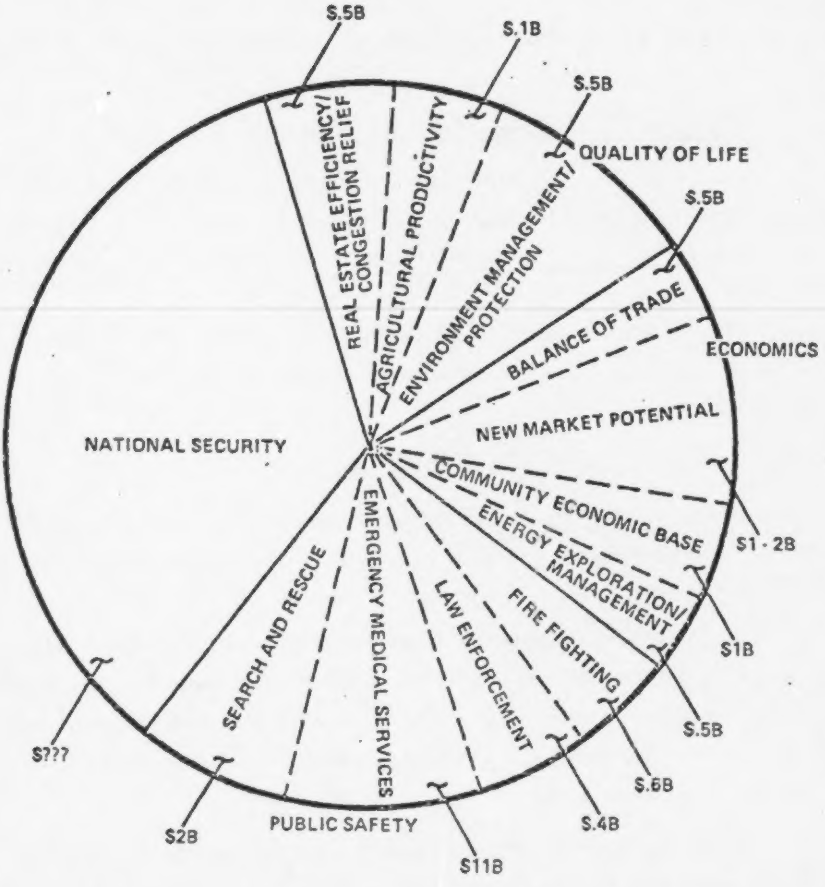
HAI members operate in the fields of agriculture, airlines, air-taxi, construction, executive transport, law enforcement, energy exploration, rescue, logging and in many other civil applications.

During the past ten years U. S. civil helicopter industry growth has averaged over 12% per year. In 1980 the industry employed over 75,000 people in manufacturing and operating. It manufactured over 1,000 helicopters and operated over 9,000 helicopters in the United States and Canada alone. Gross revenue for 1980 was well over one billion dollars. By 1990 the U. S. civil fleet is projected to reach over 20,000 helicopters with annual industry revenue exceeding three billion 1980 dollars.

There are many examples of the contributions of the helicopter industry to the nation's commerce and welfare, but two of particular importance today are:

1) A helicopter transportation system for energy exploration has rapidly emerged off the Atlantic Coast, Alaska and in the Gulf of Mexico. In the Gulf alone over 8,000 people and associated equipment are moved to energy production sites daily by helicopter. No other transportation can provide this service safely or efficiently. One Gulf operator transports more people than the most active U. S. commuter airline and owns more aircraft than nearly any of the world's largest air carriers.

2) Although about 1/6th of the civil fleet is permanently assigned to public service roles in government agencies, far more are pressed into service during emergencies. Most recently these helicopters provided invaluable rescue and relief services during Hurricanes David and Frederick and for the Swedish cruise ship evacuation. In the two hotel fires in Las Vegas, helicopters rescued over 300 victims, blew smoke away from and



At this point, I wish to stress that we feel the FAA and NASA should closely coordinate their activities in the field of helicopter (rotorcraft) research, development and engineering to the end that these activities complement, not duplicate, each other. With this objective as a guideline, this Association recommends that in the FAA's FY82 appropriations language the FAA be authorized and directed to assign appropriate tasks within its helicopter (rotorcraft) program to NASA and in turn transfer to NASA such funds as may be needed to accomplish these tasks. Examples of the kinds of tasks we have in mind which NASA might advantageously pursue in consonance with the FAA and thus in furtherance of the national interest, could include development of an integrated program for civil aviation application of the DOD Navstar GPS satellite system; participation in the development of an advanced, new generation ATC system less dependent on the present ground-based man-intensive concept and with more airspace utilization capability in the cockpit; structuring research and prototyping of advanced technology rotorcraft (and other VTOL's) with ultimate FAA certification criteria in mind. An examination of Appendix I will indicate other areas where NASA may have facilities and capability to perform delegated R&D tasks for the FAA.

Airport Development Assistance Program (ADAP)

In the 96th Congress, HR 6721 as reported out by the House Public Works and Transportation Committee defined reliever heliports and reserved not less than $10,000,000 from ADAP funds for reliever heliport grants. HR 2643 of the current Congress contains the same provision, except that the amount has been reduced to $7,500,000. We urge that ADAP funding authorization for reliever heliports be maintained at the minimum level previously set forth in HR 6721.

Facilities and Equipment (F&E)

Helicopter operations, for maximum efficiency and safety, require facilities and equipment which will provide highly accurate navigation and adequate communication services at low altitudes and in remote areas, as well as permit instrument approach capability at virtually an infinite number of locations on the surface. It is for these reasons that emphasis is stressed by the helicopter industry on R&D to develop civil application of the Navstar GPS satellite system (see items 1-4 of Appendix I); F&E funding for such systems could presumably follow in the next few years.

For FY82, however, we urge that the FAA's appropriation for F&E provide for expansion of conventional communications facilities for offshore helicopter operations (e.g. Gulf of Mexico) and in remote areas (e.g. Alaska and Appalachia). We also believe that existing limited capability automatic weather reporting equipment would enhance safety and efficiency in offshore and remote area operations, and that certain existing navigation aids, such as MLS, would support increased efficiency of helicopter operations in congested traffic areas (e.g. the Northeast Corridor). For this type of F&E, we recommend that FAA funding in FY82 make provision for an expenditure in the order of $10,000,000.

Finally, I would like to conclude this statement by urging that the Aviation Trust Fund be removed from the Unified Federal Budget and that these funds be made available to the FAA only for the principal purposes for which the aviation user taxes and the trust fund were originally created, i.e., R&D, airport (heliport) development, and capital expenditures for airways/ATC facilities and equipment.

Appendix I

Recommended FY1982 FAA Funding Authorization for Helicopter R & D

Item	Amount (in thousands of dollars)
1. Concept Validation of Civil Application of Navstar/GPS (GPS 4-D area navigation, differential GPS, airborne separation assurance, data link communications, automatic position reporting)	5,000
2. Communications (especially for helicopter low-flying and remote area operations) (also referenced to item 1. above)	750
3. Advanced ATC System based on Distributed Management Concepts (also referenced to item 1. above)	600
4. Zero-Zero Helicopter Approach and Landing Capability (also referenced to item 1. above)	650
5. Weather (automatic low-cost reporting equipment); ice detection, icing forecasting	525
6. All-Weather Heliport Development	425
7. Helicopter IFR Certification (including improved propulsion technology for single engine out (SEO) operation)	1,800
8. Helicopter Anti-Icing/De-Icing Capability	2,700
9. Helicopter Noise, Vibration, Emission Pollution Reduction	5,000
10. Helicopter Crashworthiness	600
	$18,050

Note: As indicated in the text of the accompanying statement, it is contemplated that a number of the foregoing projects or portions thereof would be transferred by the FAA to NASA accompanied by an appropriate transfer of funds.

STATEMENT OF ROBERT A. COOKE, ASSISTANT TO THE PRESIDENT, NATIONAL BUSINESS AIRCRAFT ASSOCIATION

Senator ANDREWS. Our next witness is the National Business Aircraft Association, Mr. Cooke, assistant to the president.

Mr. COOKE. First of all, I would like my statement to be entered for the record, and I would like to focus our attention on the programs which were funded from the airport and airways trust fund.

We are keenly aware of the administration goal to reduce and hold in place Government spending programs of all kinds, and we are mindful that the aviation community must make a positive and substantial contribution for reaching those goals.

Airport and airway development programs funded from excise taxes paid by users of the air transportation system have been kept at or below minimum need levels for much of the past decade.

This has resulted in an accumulation of about $3 billion of user excise tax money in the aviation trust fund, a situation that was not desired when Congress created the Airport and Airways Development Act of 1970.

If you would refer to page 3, I have outlined our recommendations for appropriations from the trust fund and compared them with the administration's proposals. There is no authorized airport development program for 1981, even though the Congress appropriated and the President signed into law $700 million for that purpose.

There has been no authorizing legislation to free that money, albeit other programs set out in the appropriations act are being funded.

The biggest disparity between our recommendations and those of the administration come in the areas of operation and maintenance, where we are recommending $350 million for fiscal year 1982. Since airport-airways development and the expenditures therefrom have not kept pace with the growing need of the system, we strongly urge that the trust fund expenditures not be diverted to other uses until those essential capital investments have been made and have had an opportunity to catch up.

Mr. Chairman, I will stop here, and I thank you very much for the opportunity to present this statement, and I would be pleased to take any questions you may have.

Senator ANDREWS. Your organization does not feel that the recommended cutbacks in funding of the airport trust fund for the major airports will in any way jeopardize what you see as the ongoing needs of the people who use airplanes in the conduct of their business or for pleasure?

Mr. COOKE. No, sir; if I understand your question correctly, we do say that if the proposed cutbacks in the programs of airport development and facilities and equipment are in fact incorporated, there will be a degradation of the capacity of the air space system which could eventually, over time, result in degradation of the safety of the system. So we recommend continued expenditures.

Senator ANDREWS. To the tune of $725 million?

Mr. COOKE. Yes, sir.

Senator ANDREWS. That would mean proportionately less for smaller airports.

Mr. COOKE. I'm not sure I follow your rationale.

Senator ANDREWS. Well, if we spend *x* number of dollars for the overall aircraft system and we spend $725 million for the large ones the President's program contemplates taking up, that's $725 million less that we have for the airports the business aircraft normally go in and out of, unless business aircraft specializes in going in and out of the major airports.

Mr. COOKE. We view the airport-airways system as an integrated national Federal system, if you will, and the development of all airports is essential to business users. Approximately 30 percent of the business aircraft flights that land at major airports are for the express purpose of interlining passengers and cargo to the air carriers. So their essential needs are our essential needs also.

Senator ANDREWS. That's the conclusion I was interested in getting on the record, because we've had thrown at us the fact that business aircraft did not care about the bigger ones, they wanted to develop the smaller ones, because they were using normal scheduled aircraft between the larger metropolitan airports.

You have pretty well blown a hole in that argument, and that's the reason we have outside witnesses.

Senator Burdick?

Thank you very much.

[The statement follows:]

STATEMENT OF ROBERT A. COOKE

Mr. Chairman and Senators, my name is Robert Cooke and I am the Assistant to the President of the National Business Aircraft Association.

The National Business Aircraft Association (NBAA) represents business aviation in the United States. Business aviation comprises nearly 40% of all general aviation activity. In the United States, approximately fifty thousand aircraft are dedicated to business pursuits, providing on-call air transportation to all of our nation's airports, and linking those many communities which enjoy little or no air carrier service with the rest of the nation. NBAA's membership consists of over 2350 companies which own and operate aircraft of all sorts, turbojets, propeller driven small airplanes and helicopters, to satisfy the day-to-day transportation demands which active, productive corporations generate. Without our national business aircraft fleet, many of our nation's smaller communities would be out of the mainstream of American economic life, essentially cut off from the flow of management and enterprise essential to maintaining our highly productive national economy. NBAA represents the aviation related interests of persons and corporations using aircraft to further their business objectives.

What makes business aircraft worthwhile? This is usually the first question asked about aircraft in the role of a business tool. Many people suppose airline service should be sufficient, but this is like suggesting that bus service should be sufficient. Bus service is dandy if you happen to live near a bus route and only need to go where the bus route takes you. The same applies to airline service. It's a little faster en route and goes to places further away, but for flexibility and efficiency for the traveller in any mode, the private conveyance is essential, be it automobile or airplane.

We are all keenly aware of the Administration's goal to reduce or hold in place government spending programs of all kinds. We are mindful that the aviation community must make a positive and substantial contribution toward reaching these goals. We stress that the vigor of the economy in these United States depends in part on the vigor of its air transportation system and each of the elements of which it is composed. Airport and airways development programs, funded from excise taxes paid by users of the air transportation system, have been kept at or below minimum need levels for much of the past decade. This has resulted in the accumulation of about $3 billion of users excise tax money in the Aviation Trust Fund, a situation not desired or anticipated when Congress created the Airport & Airway Development Act in 1970. And, as we note later in this statement, we come to you at a time when the Federal airport development program has been totally halted, with no grants being made for about five months.

We recommend a program of airport and airways development which basically follows the program which proved to be very effective in the 1970s. We feel that with some improvements in procedures and some changes to program funding levels, a highly effective and efficient program can be made.

Funding Levels

The heart of our recommendations to you consists of appropriation from the Aviation Trust Fund for airport development programs and for the several Federal programs which in general deal with airways system programs. For Fiscal 1982, we recommend the following appropriations:

Airport Development

	NBAA	Administration
Commercial Service Airports	$ 725	
Other than Commercial Service Airports	80	$ 450 (all airport categories)
Reliever Airports	70	

Federal Programs

	NBAA	Administration
Facilities and Equipment (F&E)	$ 400	$ 325
Research and Development (R&D)	90	95
Operations and Maintenance (O&M)	350	1,950*
Special Delay/Capacity Relief Fund	45	None
Noise Abatement (Title I 1979 Act)	75	**

*Includes "Other" Costs of FAA. **Included with airport development.

We must deplore the fact that there is no authorized airport development program for Fiscal 1981, even though the Congress appropriated and President Carter signed into law $700 million for that purpose. There has been no authorizing legislation to free the money, albeit other programs set out in the appropriations act are being funded. Now, as each day passes, the need to do something about FY 1981 becomes more urgent and we most strongly urge you to authorize these airport development funds in an expedited, and we hope non-controversial, separate Bill before the 1981 construction season is lost.

Recommendations for Airport Development

Our recommendations for airport development, set forth in summary fashion above, are divided into several parts. Here are the specifics:

> For commercial service airports, a category which we recommend include all airports which annually enplane at least 2,500 passengers, we propose a fiscal year 1982 authorization of $725 million.
>
> For airports other than commercial service airports we recommend a program which will total $150 million in FY 1982, $70 million of which would be made available by the Secretary to airport projects at airports which serve to relieve hub congestion in metropolitan areas. The remaining $80 million would be apportioned as in current law, to general aviation airports in proportions which reflect states' areas and populations relative to the total population of the United States.

Federal Programs

We recommend and will continue to support expenditures from the trust fund for other programs which are consistent with the objectives of enhancing the safety and increasing the capacity of our national airways system. For Fiscal Year 1982 we recommend for Facilities and Equipment (F&E) $400 million dollars to assist in a vigorous program of airways and air navigation facilities development. In order to make available precision approach aids and related facilities and equipment to small commercial service airports that have sustained regular scheduled service for 2 years that cannot qualify for such equipment under FAA's economic establishment criteria, a $20 million annual F&E set-aside is proposed. This set-aside is to complement existing FAA facilities installations that are already programmed.

For Research, Engineering and Development (R&D) we recommend $90 million dollars for FY 1982. Our proposals for F&E, and for R&D are consistent with FY 1981 appropriations, PL-96-400. For Operations and Maintenance (O&M) we recommend $350 million in FY 1982. Since airport airways development, and expenditures therefore have not kept pace with the growing needs of the system, we do strongly urge that trust fund expenditures not be diverted to other uses until those essential capital investments have had an opportunity to catch-up.

Special Discretionary Fund

An area of special concern to us is one-time large expenditures necessary to accomplish specific goals in airport development which, when funded, would divert such great amounts of money that the viability of other necessary on-going projects would be gravely distorted or permanently crippled. Examples of such one-time airport developing needs are land banking for future airports, purchase of critical privately owned public use airports by a political entity, and construction of whole airports or major portions thereof. Such special projects, requiring outlay of large amounts such as happened with the acquisition of Burbank Airport, shrink regular discretionary fund of $45 million, starting with FY 1982, which would enable the Secretary to approve such projects.

Noise Abatement

Title I of the Noise Abatement and Aviation Safety Act of 1979 provides for grants of trust fund money to sponsors for noise abatement planning and land use compatibility projects. We recommend, for fiscal year 1982, appropriation of $75 million to carry out those objectives.

Thank you very much for this opportunity to present our views on these important matters. I will be happy to discuss any specifics of the FAA proposals or programs.

STATEMENT OF WALTER E. MORGAN, MANAGER, TRANSPORTATION POLICY, UNION CARBIDE

Senator ANDREWS. Our next witness is Mr. Walter Morgan, manager of transportation policy for Union Carbide. Mr. Morgan.

Mr. MORGAN. Thank you, Mr. Chairman.

In the interest of time, I will ask that my statement be incorporated in the record.

Senator ANDREWS. It will be incorporated in the record in its entirety, and you may sum it up in whatever way you wish.

Mr. MORGAN. Thank you.

The Consolidated Rail Corporation services over 40 Union Carbide facilities, nearly half of which receive raw materials or ship finished products for which there are no realistic transportation modes available. Annually we ship about 27,000 carloads on Conrail, and Conrail receives approximately $25 million in revenues per year from Union Carbide.

We are a major supplier to the automotive and steel industries, and we supply them with carbon products, chemicals, plastics, and industrial gases, metals, and alloys.

The congressional passage of the 4R Act and the Staggers Rail Act will result, we believe, in raising Conrail's revenues without accelerating erosion of industry in the Northeast.

However, if service on Conrail were to be halted for a prolonged period, a number of the 6,500 Union Carbide jobs in New York, West Virginia, New Jersey, Ohio, Indiana, and Illinois would be at risk. Other industries would be similarly affected. The entire Nation would soon adversely experience the ripple effect from any economic tidal wave of this magnitude.

When Congress enacted the 3R Act back in 1973, it stated that the cost of employee production should be borne by society as a whole. If the labor protection responsibility is critical to the resolution of the Conrail problem and Congress declines to adopt Conrail recommendations, Union Carbide suggests that Congress and the administration consider several other approaches.

One would be in exchange for agreement by labor organizations and their members to forego all or some of the benefits of title V, transfer to such organizations and their members a portion of Conrail's securities presently held by the Federal Government.

We recognize, of course, that such securities have little or no market value because of Conrail's current financial condition. Nevertheless, should a substantial rationalization of Conrail, including its labor arrangements, prove successful in establishing Conrail as an economically successful entity, those securities are likely to have a corresponding increase in value to their holders.

In addition to affording labor future opportunity to be compensated for its sacrifices, this method may have the immediate benefit of providing to labor an important financial interest in Conrail's success and a strong incentive for genuine cooperation between management and labor.

Another simultaneous consideration would be a guarantee by the Federal Government of a loan sufficient in amount to support a buyout of title V provisions, under terms that would permit a limited moratorium on payments for principal and interest for the first several years of the loan, and thereafter a sufficiently long period of time for repayment of the loan and interest so as to constitute a minimum burden on Conrail's resources.

This would afford to Conrail an interim period to restructure its system, take advantage of the Staggers provisions, strengthen its market position, and increase its capital resources.

A long repayment period would allow Conrail to reduce its debt without jeopardizing its anticipated accomplishments during the interim period.

While these are ideas presented for further study and development, Union Carbide urges that Congress provide the full interim funding necessary for Conrail to continue operations as outlined in President Reagan's plan for economic recovery.

Hopefully, this will buy enough time for Conrail management to negotiate a mutually satisfactory agreement with labor, reduce its trackage, optimize its revenues, and achieve the efficiencies necessary to operate without Government support.

Thank you.

Senator ANDREWS. Thank you for a most informative and interesting statement, Mr. Morgan.

One question: Do you feel it would be in the best interests of the Northeast corridor of this country if Conrail were continued as is, or if it was sold off to the individual railroads?

Mr. MORGAN. We believe that Conrail has achieved a point of development that it would be folly for us to use the so-called meat ax approach now and sell them off. The Government and the taxpayers have some $6 to $7 billion invested in that line, where they are close to achieving a breakthrough, the turnaround that we have been promised for so long. We prefer that Conrail be given adequate time to achieve that turnaround before trying to sell off the line to other railroads.

Senator ANDREWS. Thank you very much.

Senator Burdick?

[The statement follows:]

STATEMENT OF WALTER E. MORGAN

Union Carbide Corporation welcomes the opportunity to speak before this Committee on the ConRail appropriations request. The Consolidated Rail Corporation (CONRAIL) services over forty Union Carbide facilities, nearly half of which receive raw materials or ship finished products for which there are no realistic alternative transportation modes available. As a major supplier to the steel and automotive industries among others, Union Carbide produces a wide variety of chemicals, plastics, carbon products, industrial gases, metals and alloys. Sales last year totalled 9.9 billion dollars. Union Carbide's movements are estimated to have provided revenues of some 25 million dollars to ConRail in 1980, covering 27,400 car-loads.

Congressional passage of the 4R Act and Staggers Rail Act of 1980 (in the development of which Union Carbide actively participated) will result, we believe, in raising ConRail revenues without accelerating erosion of industry in the Northeast. However, if service on ConRail were to be halted for a prolonged period, a number of the 6500 Union Carbide jobs in New York, West Virginia, New Jersey, Ohio, Indiana and Illinois would be at risk. As other industries would be similarly affected, the entire nation would soon adversely experience the ripple effect from any economic tidal wave of this magnitude.

Now before Congress is the delicate issue of how to help this railroad to achieve economic viability without continuing federal subsidies indefinitely. If this problem is not addressed this year, ConRail will face financial calamity and the existence of nationwide rail service will be jeopardized, dramatically affecting the health of industry in the Northeast and the livelihood of a significant number of American people.

Union Carbide urges approval of the appropriations request before the subcommittee so that authorizing committees in Congress will have the time needed to responsibly address ConRail's problems and, we hope, to fashion effective long-term solutions that will end the need for continued Federal appropriations.

The Staggers Rail Act cannot alone remedy the unique problems facing ConRail. Although the additional economic freedom will eventually enable ConRail to optimize its revenues, the principal problem of ConRail's costs appear to be largely attributable to high labor expenses. We believe that ConRail's labor costs, which are significantly above industry average, cannot be explained away as a regional phenomenon but result primarily from labor protection legislated by a previous Congress and onerous work rules inherited from ConRail's predecessors.

ConRail management has proposed to Congress and the Administration remedial steps required to improve its chances for economic survival. These steps include rationalization of labor, service and trackage. Second in importance to the appropriations request before this subcommittee is modification of Title V provisions of the 3R Act which mandate labor protection provisions. Union Carbide finds considerable merit in ConRail's recommendations with respect to rationalization of labor, service and trackage and urges Congress to support ConRail's efforts to avoid probable bankruptcy.

When Congress enacted the 3R Act of 1973, it stated that this cost of employee protection should be borne by society as a whole. If the labor protection responsibility is critical to the resolution of the ConRail problem and Congress declines to adopt ConRail recommendations, Union Carbide proposes that Congress and the Administration consider the study of other possible approaches such as:

(1) In exchange for agreement by labor organizations and their members to forgo all or some of the benefits of Title V, transfer to such organizations and their members a portion of ConRail's securities presently held by the federal government.

We recognize, of course, that such securities presently have little or no market value because of ConRail's current financial condition. Nevertheless, should a substantial rationalization of the ConRail system, including its labor arrangements, prove successful in establishing ConRail as an economically successful entity, those securities are likely to have a corresponding increase in value to their holders. In addition to affording labor future opportunity to be compensated for its sacrifices, this method may have the immediate benefit of providing to labor an important financial interest in ConRail's success and a strong incentive for genuine cooperation between management and labor.

(2) A guarantee by the federal government of a loan sufficient in amount to support a "buy-out" of Title V provisions, under terms that would permit a limited moratorium on payments for principal and interest for the first several years of the loan and, thereafter, a sufficiently long period for repayment of the loan and interest so as to constitute a minimum burden on ConRail's resources. This would afford to ConRail an interim period to restructure its system, take advantage of the Staggers' provisions, strengthen its market position, and increase its capital resources. A long repayment period would allow ConRail to reduce its debt without jeopardizing its anticipated accomplishments during the interim period.

While these are ideas presented for further study and development, Union Carbide urges that Congress provide the full interim funding necessary for ConRail to continue operations as outlined in President Reagan's Plan for Economic Recovery. Hopefully, this will buy enough time for ConRail management to negotiate a mutually satisfactory agreement with labor, reduce its trackage, optimize its revenues and achieve the efficiencies necessary to operate without government support.

Thank you.

GROUND RULES

Senator ANDREWS. Let me again review the ground rules. We have the timing lights up here. For those of you who weren't here at 10 o'clock, we use them on our own colleagues who tend to get long winded from time to time. The blue light is when you are in the clear, and the yellow light means you are getting close to the end of your time. The red light means it's time to cease. With that type of scheduling, we are able to maintain appropriate apportionment of time and everybody has an equal chance.

Let me also say that your statement will appear in full as though read, so feel absolutely free in summarizing it or in hitting any high points, because the record will show the entire statement. The staff will work on the basis of the entire statement, added to your extra comments and anything that might come out in the period of time that we have available for questions.

The next witness is the McKenzie County Board of Commissioners, Mr. Allen Estvold, engineer, and his group. If you would please come forward.

Go ahead, Allen.

Senator BURDICK. Mr. Chairman, I welcome this group to the committee. I take this opportunity because the setting is an area that I knew well as a boy.

Senator ANDREWS. You grew up in that area, Senator.

Senator BURDICK. I grew up in the area. I remember old Frank Banks. I was well acquainted with Tobacco Garden, having made hay there in the summertime as a young man. So I am very interested in this, and very interested in what you have to say about it.

Senator ANDREWS. With that kind of an introduction, you can do no wrong. [Laughter.]

STATEMENT OF ALLEN ESTVOLD, ENGINEER, McKENZIE COUNTY BOARD OF COMMISSIONERS

Mr. ESTVOLD. Thank you, Senator Andrews and members of the committee.

Under the Federal Aid Highway Amendment of 1974, the access highway to public recreation areas on certain lakes programs was approved. This was under title 23, United States Code section 155—$25 million was appropriated at that time for this program.

In the 1979 Appropriation Act, $5.3 million was appropriated for more of these roads. Of that money, $1.96 million was appropriated for the Banks Road in McKenzie County, N. Dak.

The original estimate for this project was $2.8 million. The Banks Road is a 25-mile farm-to-market road running between North Dakota State Highway 23, 2 miles east of Watford City, and it runs north and east 25 miles to the Tobacco Garden Creek recreation area on Lake Sakakwea. This is a widely used public recreation area on land leased from the Corps of Engineers, and it's one of two recreation areas on Lake Sakakawea in McKenzie County.

From its original funding, the project has progressed very well. The entire project was divided into four grading projects, three structural projects, and two paving projects.

Our present status on the Tobacco Garden Road is three grading projects have been completed for 22 miles of grading, all three structures have been built, and one paving project has been completed for 14 miles.

Our initial agreement with the North Dakota State Highway Department was that the county would provide the matching funds for the grading and structural contracts, while the State would provide the matching funds for the paving, and at the time of paving the State would take over that portion being paved and make it part of the Lewis and Clark Trail or North Dakota Highway 1806. We have already done that on the first 14 miles.

Our agreement with the State highway department for the completion of this project, the last 11 miles, the county has obligated itself to complete any grading on the last 3 miles before the fall of 1982. If we do this, the State will complete the paving project and add the route to 1806.

Our problem basically is this: Due to inflation, the $1.96 million originally appropriated has been used up. In order to finish this project, we have, as I said, 3 miles of grading and 11 miles of paving to do. The total estimate for completion of this project is $1.6 million.

We are requesting $1.2 million to be directed to it. Most of the preliminary work on the project has been done. The right-of-way has all been acquired, except parcels from the U.S. Forest Service, which we have been assured are coming.

The design plans are complete and at the State highway department in Bismarck.

Last summer we graded 8 miles. This grading was designed to ultimately be paved. If it had been known that we did not have enough funds to get it paved and wouldn't get it paved, they would have designed the road a lot differently. The curves are flat, they take a large area of land. The road crown is flat, to facilitate paving.

Therefore, the water runoff on the road when it's graveled isn't as good as it could have been. When it's paved, it will run off very well. The amount of gravel put on is only intended to be enough to get us through the winter. That's expected to only last 2 years, at most.

Where the new grade meets the old road, we have a potentially hazardous traffic situation. We have a T intersection on a curve, and we will have to put the stop sign on the new road.

With the help of the townships, we have fulfilled our obligation to the AHL project to the limit of our funds and funds of the two organized townships involved. We are prepared to do everything possible to assure the conclusion of this project, and we feel we are obligated under the original intent of the access highway program to see this road through to its completion.

Also we feel obligated to Twin Valley Township and Schafer Township, who expended their funds to acquire the right of way for the project, and to the landowners on the route, who were willing to sell their land for this road.

We took on this project with the State highway department and the Federal Highway Administration in good faith, and we are committed to see this project through to its completion. This, however, we cannot do without the $1.2 million in Federal aid.

We want to thank you for the aid you have given us in this project so far, and we hope you see fit to grant us the funds for the completion of this project.

Senator ANDREWS. Thank you very much for an excellent statement.

Let me ask you one question: You said the additional costs came about because of the flat grade of the curves. As I understand, having been out there and having talked to people earlier, that was necessary primarily because of the heavy traffic in oil rigs and extremely long trailers that are due to the national need for additional energy supplies domestically; isn't that essentially true?

Mr. ESTVOLD. This is true.

Senator ANDREWS. So you overbuilt the road because if you didn't do that, the use really couldn't be multipurpose?

Mr. ESTVOLD. Yes, sir; in a sense, the road had to be built to the highway department standards which were on a State road more stringent than they are for a county road.

I might add the traffic on this road has increased by 73 percent in the last 5 years. We have oil fields to the east of the road. We have the workers living in Watford City, and we have a large amount of traffic using this road to get to the oil fields.

Senator ANDREWS. And also for these workers who are impacted on that essentially rural area, this is their best means of going to a recreational area?

Mr. ESTVOLD. That's true. The need for a recreation area, I guess, increases proportionately with your population. The population of the county has increased from 6,100 to 7,100, I believe, in the last 10 years.

Senator ANDREWS. Which is an unusual population trend in North Dakota, brought about by the national need for energy.

Thank you very much.

Senator Burdick?

Senator BURDICK. Thank you, Mr. Chairman.

This project was originally authorized and appropriation made under the Federal Highway Act of 1974 amendments, so this came under a special category. I know it very well because we worked on it. Of this project, 14 miles have been paved. You still have 3 miles of grading and 11 miles of paving to do.

If we don't provide the money or appropriate the money, what happens to that work that's been done already? What happens to the grading and all of the preliminary work that's been done?

Mr. ESTVOLD. Well, the plans and the preliminary work on the last 3 miles of grading have been done. We have the right-of-way acquired. I don't know. It sits for a while, for sure. The road—we've only got 3 inches of gravel on the 8 miles of grading we did last year. It won't stand up. We'll be out there this summer or next summer and have to put more gravel on it, and it will cost us more money.

Senator BURDICK. Is it your opinion that if it isn't finished very soon and quickly, that the cost of completing this project will accelerate?

Mr. ESTVOLD. Very definitely. I'm sure you know that the cost of road construction in the Nation has gone up proportionately.

Senator BURDICK. I'm talking about losing the value of the base foundation that's already graded. Is that a fact?

Mr. Estvold. Yes; the north portion, south of the right-of-way, will be all right. That should last 20 years, but the surfacing we have won't, and basically that's the problem, surfacing won't last.

There is another alternative, but it would be to wait for the regular Federal aid allotment to come along and get us enough money to finish this project. But we have a 10 mill program in the county. We have other roads that are before this one, and we would have to take them in that order.

Senator Burdick. I want you to know, we are going to have some trouble maintaining the highway trust fund as it is.

Mr. Estvold. I know, sir.

Senator Burdick. In other words, it's just good judgment to finish the project now?

Mr. Estvold. That's the way we feel. We feel if we don't get it now, we probably never will.

Senator Burdick. Thank you.

Senator Andrews. Thank you very much for an excellent statement.

[The statement follows:]

STATEMENT OF ALLEN ESTVOLD

Under the Federal Aid Highway Amendment of 1974, the Access Highway to Public Recreation Areas on Certain Lakes Program, was approved. This program came under Title 23 United States Code Section 155 for which $25 million was appropriated. In the 1979 Appropriation Act $5.3 million was appropriated for more of these roads. Of this money, $1.96 million was appropriated specifically for the Banks Road in McKenzie County, North Dakota.

The original estimate for the project was $2.8 million. The Banks Road is a 25 mile farm to market road, running between North Dakota State Highway 23, 2 miles east of Watford City, North and east 25 miles to Tobacco Garden Creek State Game Management Area and Tobacco Garden Creek Recreation Area on Lake Sakakwea. This is a widely used public recreation area on land leased from the United States Army Corps of Engineers, and is one of two recreation areas on Lake Sakakawea in McKenzie County.

From its original funding, the project has progressed very well. The road project was divided into 4 grading projects, 3 structural projects and 2 paving projects.

Our present status on the Tobacco Garden road is - 3 grading projects have been completed for 22 miles of grading, all 3 structures have been built, and paving project is completed for 14 miles. Our initial agreement with the North Dakota State Highway Department was that the County would provide the matching funds for the grading and structural contracts, and is that if we complete the grading, they would provide the matching funds for the paving. Also, the State at the time of paving, would take over the portion being paved and make it part of the Lewis and Clark Trail or North Dakota State Highway 1806. This has been done on the 14 miles that were paved.

Our agreement with the State Highway Department for the completion of the total project is that the county will complete the last grading project, to the Tobacco Garden Recreation Area, before the fall of 1982, at which time, the State will complete the last paving project and add it to North Dakota 1806.

Our problem basically is this, due to inflation, the $1.96 million originally appropriated has been entirely used up. In order to finish the project, we have 3 miles of grading and 11 miles of paving to do.

The total estimated cost for completion of this project is $1.6 million. We are requesting $1.2 million be directed to it.

he need for this project is imminent. McKenzie County and particularly Watford City, is being subjected to a population explosion. The population of McKenzie County has increased from 6127 in 1970 to 7132 in 1980. Other towns in the area as well as abandoned farmsteads are being populated with workers associated with the oil industry.

The oil industry has adverse effects on the road. With the increase in population in the Watford City area, the recreational demands increase proportionately. The most regularly accessible water area for recreational pursuits is the Tobacco Garden Bay area. Recreational traffic on this route was heavy in previous years, however, it is much greater now and can be expected to increase tremendously in the near future. Overall traffic has increased 73% since 1978, 60% of this raffic is oil related.

The search for oil is resulting in the drilling of an unbelievable number of wells in the area immediately east of Tobacco Garden Bay. Many of the drilling crews reside in Watford City and travel to and from the oil field on this road. As the oil field developement progresses westward and increasing amount of crude oil, oil field supplies and equipment is traveling over this section of road.

With the help of the townships, we have fulfilled our obligation to the AHL project to the limit of our funds and the funds of the two organized townships involved. The 8 miles of grading completed last year were designed to ultimately be paved. With its flat crown and flat curves it will not be complete until it is paved.

We are prepared to do everything possible to assure the completion of this project. We feel we are obligated under the original intent of the AHL program to see this road through to its completion. Also, we feel obligated to Twin Valley Township and Schafer Township, who expended their funds to acquire the right-of-way for the project, and to the landowners on the route, who were willing to sell their land for this road. We took on this project with the State Highway Department and the Federal Highway Administration in good faith, and we are committed to see this project through to its completion. This however, we cannot do without Federal Aid.

We want to thank you for the Aid you have given us in the completion of the project thus far, and we hope you see fit to grant us the funds for the completion of this road project.

STATEMENT OF AUSTIN GILLETTE, CHAIRMAN, TRIBAL BUSINESS COUNCIL

ACCOMPANIED BY:
MATTHEW MASON, NORTH SEGMENT REPRESENTATIVE, TRIBAL BUSINESS COUNCIL
MAYNARD URAN, CHAIRMAN, MOUNTRAIL COUNTY BOARD OF COMMISSIONERS
DALE PETERSON, CHAIRMAN, OSBORN TOWNSHIP BOARD
ROLLIE MORUD, SUPERINTENDENT, NEW TOWN PUBLIC SCHOOL DISTRICT

Senator ANDREWS. Our next group of witnesses is from the Tribal Business Council of three affiliated tribes, the Mountrail County Board of Commissioners, three township boards, and the New Town School District Board. Speaking for them is Mr. Austin Gillette, who is the chairman of the Tribal Business Council.

Mr. Gillette, would you introduce your cohorts? And as I said earlier, your entire statement will be included in the record as if read. You may highlight it and leave a little more time for questioning.

Mr. GILLETTE. Thank you, Mr. Chairman.

To my left is Rollie Morud, superintendent of schools, New Town. Dale Peterson, from the Osborn Township. Mr. Maynard Uran, Mountrail County Board of Commissioners. And to my right is Matthew Mason, council member from the New Town District.

Senator BURDICK. Mr. Chairman, I would like to welcome the chairman and his associates this morning. It seems like this is a day in Washington for North Dakota, and we are certainly pleased to see you here today.

Mr. GILLETTE. Thank you, Senator Burdick. It's the first time I have ever seen the Senators from North Dakota together.

Senator ANDREWS. We get together pretty regularly. Yesterday we were bearding the Secretary of Education. I did it in the morning and Senator Burdick did it in the afternoon, but about the same subject. After elections, we get along just fine.

Mr. GILLETTE. After elections?

Senator ANDREWS. Well, during elections, we have to show a little partisanship, but not too much.

Mr. GILLETTE. Thank you.

Our purpose here today is to seek funds for a road which is 31 miles long, but in essence our presence here today, at least from the Fort Berthold Reservation, is a solidarity in that we have a problem, and we would address that need to solve it.

We all have heard of various reservations which have many differences between the non-Indian and the Indian community. Although members of both parties do not like to speak of those things, they exist, and they will not go away. But we both have the same need, and that is the purpose of our visit here.

We are also after the same funds as McKenzie County is requesting, but to further address the school needs, I would defer to Mr. Morud, since the education of our youth is our, at least from the Tribal Business Council, most important factor.

Mr. Morud?

Mr. MORUD. Thank you, Mr. Gillette.

Good morning, Senators. It feels good to be here. We talked last evening in our group, and we all share that feeling, and we feel welcome this morning. We feel that this is the proper forum for resolution of our concern.

I'm not going to read the testimony. It has been submitted and you can take a look at that, but I would like to make three points regarding the need:

The first point is that the roads we are speaking of are a non-Federal aid road system. As Maynard Uran, the county commissioner can point out and substantiate, when it is a non-Federal aid road, the local moneys, whether county, township, or State, are not used toward those, because of the multiplying factor of the dollar.

You may ask why is this not a non-Federal road, and I guess the problem is that in the 1960's, when the farm-to-market road designation was made, it was not felt to be a need. The roads were adequate. They were not great, but they were adequate.

Since then we have had extensive development in that area as a recreational area. The roads we are talking about are on a peninsula south of New Town, formed by Lake Sakakawea, which is built by the Corps of Engineers through Garrison Dam.

The roads were fine, but in the 1970's this has become a major recreational area, and that's one of our problems.

Our second point is just that. Stannish Bay, Clarks Creek, Reunion Bay, the Van Hook Arm, these are all parts of Lake Sakakawea surrounding this peninsula that we are speaking about. There is just fantastic walleye fishing here, great northern fishing, Chinook salmon, coho salmon, and smelt. Other species like catfish, perch, bullheads, goldeyes, and many other fish also are caught. We have commercial fishing in this area.

In addition, this has become a prime grouse hunting area.

Senator ANDREWS. There must not be any of that terrible biota we hear about in that Garrison Reservoir, if all those fish exist.

Mr. GILLETTE. That's only in the diversion project. [Laughter.]

Mr. MORUD. It is just one tremendous recreational area. We have anywhere from about 200 units a week, we estimate, that are in there. We're talking about campers, trailers, motor homes, fifth wheels, and each of them seems to pull a boat with a trailer behind it. They have anywhere from three to six people with each unit. We have an awful lot of traffic from very early in the spring. In fact, they are still fishing there until late in the fall.

They come in all kinds of weather, and they have torn our roads up considerably, and that leads us into the third point that we would like to make this morning, and that is: Many benefit from Lake Sakakawea, but the local people suffer from the recreational opportunities I have just pointed out.

There is also the flood control that Garrison Dam provides many parts of the upper Midwest. And also there is electrical generation that comes from this,that is used by many areas of our country. But the local people suffer, and they suffer in many different ways, and I would just like to point out two that we feel are right at the heart of our problem.

Senators, we have had schoolbuses stuck in the middle of the road when it rains and snows. The roads are flattened out, they are beat down. It's a real problem.

The second point is that 23 families have had to relocate because of denial or threatened denial of essential services from this area; medical, fire, educational, whatever they are, on the far south end. We are very concerned about that.

We estimate the cost to be $5 million, of which $3.5 million would be requested through this act, and we hope you will look at our request favorably.

Senator ANDREWS. Thank you. Mr. Gillette?

Mr. GILLETTE. I have no other comments.

Senator ANDREWS. We appreciate so much your coming here.

As I understand it, this 31½-mile dirt road involves some BIA roads, some county roads, and some township roads, and it's really a joint effort?

Mr. GILLETTE. Yes.

Senator ANDREWS. Between all of the people in that area, and it's totally meeting the support of the Tribal Council, as well as county commissioners, the town boards, and it's really a united project. Is that essentially true?

Mr. GILLETTE. Yes, it is.

Senator ANDREWS. And it will open up a wonderful recreational area for the use of people in all those areas?

Mr. GILLETTE. It will also help the economy. Due the energy crunch, the people won't have to travel as far.

Senator ANDREWS. Senator Burdick?

Senator BURDICK. Thank you for a very good statement. I see the project will cost $5 million, but with the match, you require $2.5 million?

Mr. MORUD. Yes; under the program we are seeking, it is a 70-percent Federal funding. The other 30 percent, the $1.5 million, would come from county, township, and State sources.

Senator BURDICK. How about the assurances for the matching?

Mr. MORUD. We feel comfortable. We have Maynard Uran, who is chairman of the township board, here. We also have Dale Peterson of the township—Maynard is with Mountrail County. Dale represents all three townships in the area, and they give assurances of their willingness to work also with Austin Gillette and the Tribal Council, and they will take care of it. We feel we could meet that obligation.

The costs are projected from the February bid-letting that was done by the State highway department. So we feel the costs are accurate.

Senator BURDICK. Well, I'm personally aware of what you have testified here today to, and what the area means not only the tribes, but also the community. I would think we should be able to find $3½ million some place.

Senator ANDREWS. Thank you for excellent testimony. I think the key thing to stress is the fact that this is a partnership approach, and it opens up an area to recreation where there is a growing need for that kind of recreation that will in fact save countless dollars and countless resources wasted in saving fuel costs from people driving to the Minnesota lake district, when they could just as well have that recreation in this area.

Thank you very much.

[The statement follows:]

JOINT STATEMENT OF TRIBAL BUSINESS COUNCIL THREE AFFILIATED TRIBES; MOUNTRAIL COUNTY BOARD OF COMMISSIONERS; OSBORN TOWNSHIP BOARD; HOWIE TOWNSHIP BOARD; BIG BEN TOWNSHIP BOARD; AND NEW TOWN SCHOOL DISTRICT BOARD

Mr. Chairman and Members of the Transportation Subcommittee: This joint delegation representing the Tribal Business Council of the Three Affiliated Tribes, the Mountrail County Board of Commissioners, the New Town School District Board, and the Osborn-Howie-Big Bend Township Boards welcomes the opportunity to present testimony on the important subject of a transportation problem that is affecting our area.

Seldom in the history of any Reservation do you find that all Indian and Non-indian parties agree on a need and an approach to meet that need. Normally, and probably righfully so, those parties within and near the Reservation are in a posture of suspicion of each other.

Please interpret our presence as a sign of solidarity in cooperation and committment to the resolution of the need that we will present to your Subcommittee.

SUMMARY OF REQUEST

The roads within the 80,000 acre penisula south of New Town, North Dakota have been assessed to be in very poor condition. This penisula was the result of the creation of Laka Sakakawea which was formed by the federal construction of the Garrison Dam.

The road conditions have caused undue hardships to area residents. To correct this condition, we are proposing that 31.5 miles of this road system be improved and paved. The estimated total cost of this project would be approximately $5,000,000.

AREA BACKGROUND

The road system in question is located south of New Town, North Dakota. It lies within the external boundaries of the Fort Berthold Indian Reservation. It consists of 31.5 miles of graveled surfaced roadway. It is a combined County and Reservation road system.

The entire system was constructed in 1930. The 13 mile length of Reservation road was improved in 1956 by the Army Corps of Engineers. The 17.5 length of County Road has not received any major improvements since construction.

The topography of the 80,000 acre penisula is dominated by the ridge around the edges of the Lake Sakakawea. This creates a situation where the drainage of the area is toward the lower elevations of the penisula, a center where the main part of the road system is located.

The local population consists of both Indian and Non-indian residents. The Indian residents are members of the Arikara, Hidatsa and Mandan Tribes of the Fort Berthold Reservation and they make up 20% of the total resident population. The remaining 80% of the resident population is primarily made of Non-Indian farmers and ranchers. Total resident population is estimated at 1,538.

The regional population includes: farms/ranches, numerous small towns, and three of the major cities of North Dakota - Minot (population of 32,843), Williston (population of 13,336) and Dickinson (population of 15,942).

The current use of the Road System is: regional recreation uses, a school bus route, a mail route, a farm/ranch to market route, access to electrical and telephone utilities and access to residences.

PROBLEM STATEMENT

Currently, the following problems have been identified with respect to the referenced 31.5 mile Road System:

- ° Little or no gravel left on the road surface
- ° Poor drainage
- ° Settlement of the road bed
- ° Poor back sloping and shaping (for snow drift)

The result of these road problems has had a serious effect on the area population in terms of health, safety and well being. The effects are as follows:

- ° School buses have often been stuck in the middle of the road during periods of rain or snow
- ° Mail delivery is often restricted
- ° Emergency medical service becomes unavailable
- ° Fire protection becomes unavailable
- ° Winter fuel deliveries are hampered
- ° Maintenance and emergency repair of the electrical and telephone utilities is restricted
- ° 23 families have moved to areas with better access
- ° In general, during periods of poor weather, transportation is restricted to four wheel drive vehicles
- ° The local townships have been forced to submit legislation which would for an increase of the maximum tax mill levy for the next five years which will be used only for road maintenance
- ° The Tribal Business Council has prioritized the Road System as No. 1 for improvement throughout the 1,550 square mile Reservation

PROBLEM CAUSES

The major cause of the deterioration of the road system has stemmed from the fact that the area is heavily used for sport and recreation. This has developed from the construction of the Garrison Dam and the resulting creation of Lake Sakakawea. Persons engaged in the following recreational activities utilize the road system for access to their ultimate destination(s):

- ° Hunting (Large and Small Game)
- ° Fishing (Summer and Ice)
- ° Boating and other water related sports
- ° Camping
- ° Trapping
- ° Archeological pursuits

These uses also create the need for traffic by various regulatory agencies. Tribal and State Fish and Game Codes must be enforced and law enforcement in general must be maintained.

Recreation usage in the area has been analyzed. The user population is referred to as the Participating Recreation Population (PRP) (Designation by Corps of Engineer formula used in development of their annual operating plans for the Missouri River). The PRP spends an average percentage of its time participating in the following outdoor activities provided by the Pouch Creek Recreation Area.

Activity	% of PRP*	Resulting Visitations
Fishing	45	692
Boating and Water Skiing	32.3	497
Picnicking	31.7	487
Camping	28.9	444
Swimming	28.2	434
Sightseeing	0	0
Total Visitations		2,554

These activities are roughly limited to a four (4) month or 120 day period and each member of the PRP visits the area approximately 1.6 visits per period to fulfill the average activity quota. This requires an average of 20.5 visitors per day or 615 visitations per month or 30 day period during the summer months.

These figures do not reflect hunter use which is heavy in the area during the fall and winter months when big and small game hunting seasons are in effect and trapping season for furbearers is open. The area is popular for such activities and surviellance which is accomplished on a daily basis places the use for these purposes at approximately 125 persons per day during the height of the hunting season from late September through February.

User population exists because of proximity and local awareness. This limitation could be reduced by improvement of accessability which is currently only "fair" by analysis.

The recreational users often create more wear on the road system than normal vehicular traffic. Most often used are large pickup/camper combinations, motor homes, four wheel drive vehicles and often there will be the addition of a boat and boat trailer attached to the vehicles.

PROBLEM SUMMARY

Maintenance on the road system has become a continuing problem for the governmental bodies involved. This roadway is not a part of the "Federal Aid Road System" for funding. It did not receive this designation in the past because the roads were considered adequate prior to the area becoming popular for recreational uses.

The creation of Lake Sakakawe has made it possible for many persons to benefit. But here is the fact that local people suffer the side effect. Benefits stemming from the construction of a Federal dam are: Energy Generation, Recreation, Flood Control, Water Supply Improvement and Irrigation.

The transportation problems created through these activities have resulted in the denial of essential services to persons living along the road system.

RECOMMENDATION

The solution to this transportation problem is the improvement and paving of the 31.5 mile road system south of New Town, North Dakota. The estimated cost for this project is shown below:

21½ miles	Grade & Drain $70,000 per mile	$1,505,000
10 miles	Back Slope & Shape $10,000 per mile	$ 100,000
31½ miles	Asphalt $100,000 per mile	$3,150,000
	Contingency	245,000
		$5,000,000

Per mile cost are from the most recent North Dakota State Highway Department bid opening for summer 1981 construction.

Research has disclosed that legislation in 1974 amended Sec. 115 (a) Chapter I of Title 23, United States Code to authorize the Secretary of Transportation "to construct or reconstruct access highways to public recreation areas on lakes in order to accomodate present and projected traffic density". At that time, $25,000,000 was appropriated. The delegation wishes to know if such funding is still available. If it is available, what would be the procedure for proposing its use? If it is not currently available, would it be possible to obtain new authorizing legislation? With the 70%/30% required federal/local match, the referenced project would require $3,500,000 in federal funding.

SOURCES OF INFORMATION

The following sources of information have been utilized in developing this statement:

° Files of the respective involved governmental units

- ° "Fort Berthold Recreation Facility Plan" prepared by Oblinger-McCaleb, Denver, Colorado - January 1979
- ° "Transportation Plan for the Fort Berthold Indian Reservation", prepared by Ken Markve, Transportation Engineer, September 1979
- ° Bureau of Indian Affairs Roads Department, Fort Berthold Agency

The delegation will be available to answer any question the Subcommittee might have which has not been answered in this Statement. Thank you.

Resolution #81-15

RESOLUTION OF THE GOVERNING BODY OF
THE THREE AFFILIATED TRIBES OF THE
FORT BERTHOLD RESERVATION

WHEREAS, This Nation having accepted the Indian Reorganization Act of June 18, 1934, and the authority under said Act; and

WHEREAS, the Constitution and Bylaws of the Three Affiliated Tribes authorizes and empowers the Tribal Business Council to engage in activities for the welfare and benefit of the tribes and tribal members; and

WHEREAS, the Tribal Business Council has studied the Fort Berthold Reservation Road System and its effectiveness as an all weather carrier of general vehicle traffic, school buses, and U.S. Mail vehicles; and

WHEREAS, it has been determined the existing road loop and mail and bus route (containing both BIA and Mountrail County maintained roads) south of New Town in the North Segment of the Reservation, BIA Road #6 is deficient for these purposes; and

WHEREAS, the January 15, 1981 letter from the Aberdeen Area Office of the BIA indicates that the Bureau of Indian Affairs can participate in the construction/rebuilding of the above described roadway if certain conditions are met; and

WHEREAS, the roadway meets Condition #1 by being located within the external boundaries of the Fort Berthold Reservation; and

WHEREAS, Condition #2 states that the Tribal Business Council must place the road south of New Town on a priority list for 1981 for construction; and

WHEREAS, Condition #3 states there must be participation in terms of additional funding by the Townships, County or State; and

THEREFORE BE IT RESOLVED, that the Tribal Business Council hereby places the road south of New Town, containing 30.5 miles, in the #1 position on the 1981 priority list and requests the Bureau of Indian Affairs to participate in the construction and rebuilding of this road; and

BE IT FURTHER RESOLVED, that negotiations are to be established with the Mountrail County, local Township, and state officials by the Tribal Business Council to identify additional funds which may be applied to the project.

CERTIFICATION

I, the undersigned, as Secretary of the Tribal Business Council of the Three Affiliated Tribes of the Fort Berthold Reservation, hereby certify that the Council is composed of 11 members of whom 7 constitutes a quorum, 9 were present at a Special Meeting, thereof duly called, noticed, convened and held on the 29th day of January, 1981; that the foregoing resolution was duly adopted at such meeting by the affirmative vote of 9 members, 0 members opposed, 0 members abstained, 0 members not voting and that said resolution has not been rescinded or amended in any way. /Chairman - Voting - Not Voting.
DATED THIS 29th DAY OF JANUARY, 1981.

SECRETARY, TRIBAL BUSINESS COUNCIL

CHAIRMAN, TRIBAL BUSINESS COUNCIL

STATEMENT OF MILDRED SCHWAB, CHAIRMAN, CITY OF PORTLAND

ACCOMPANIED BY:

BILL WYATT, DIRECTOR, INTERGOVERNMENTAL AFFAIRS
STEVE DOTTERRER, DIRECTOR, TRANSPORTATION PLANNING

Senator ANDREWS. Our next witness is the city of Portland, Mildred Schwab, commissioner. Welcome to our committee, Ms. Schwab.

Ms. SCHWAB. Thank you, Senator Andrews, and thank you for the opportunity to address the committee.

I have on my left with me Mr. Bill Wyatt, who heads up intergovernmental affairs for the city; and on my right, Steve Dotterrer, who is our chief transportation planner.

I would like to commend the Congress and the administration for their efforts to produce a more balanced budget, and I certainly understand your problem, just as I hope you will see our plight.

My purpose in appearing before you today is to explain the problems of the region and State and to urge continued congressional support of the interstate withdrawal program and particularly the Portland transportation program which is based on Federal commitments established in that withdrawal program.

The attached written testimony and facts will show that without followthrough of the Federal commitment, our locally developed and coordinated plan will collapse like a house of cards.

Specifically the region seeks first continued flow of funds from the interstate withdrawal program until the program is completed. Preliminary figures in the USDOT budget are not sufficient to adequately fund the Portland program. While we recognize that efforts to balance the Federal budget may require that the program be extended beyond 1986, the full Federal commitment to the program should be met.

The withdrawal program should be treated as an equal of the interstate program, as originally intended, with similar funding levels, inflation formulas, and program deadlines.

And second, the continued commitment to the Banfield project, the largest single project in the Portland transportation program, through a full-funding contract of UMTA section 3 funds and interstate withdrawal funds.

The decision to transfer two freeways was reached by our area because the Federal Government was committed to equivalent funding levels for highway and transit projects. This commitment, based upon contract authority, offered the best opportunity for our region to develop a complete and cost-effective transportation program.

Based on the Federal commitment to equivalent funding, the region developed an overall transportation program of more than 100 projects spread throughout the region. We transferred FAP and FAUS funds to other parts of the State for other transportation projects. Local governments developed their individual projects and committed private and public funds for project implementation.

Private interests have developed and, in some cases, already constructed major new housing, commercial, or industrial developments. All of these efforts within the region were based on the Federal commitment for funding equivalent to that which was available through interstate projects.

The concept of the Portland transportation program is threefold:

First, to place long-distance traffic on the interstate system, while improving arterials for local movement.

Second, to use ride-sharing, transit service, and signal improvements to improve the capacity of the existing street system.

And third, to continue careful development planning, parking management programs, and other efforts which coordinate transportation and development at lower public and private costs.

In short, our region has pioneered in development of, and is carrying out, a transportation plan based on the transportation systems management strategy, which the Congress and the U.S. Department of Transportation have encouraged in recent years, and which the Reagan administration has supported.

Simply stated, the Federal Government is getting a better return on its investment because of the lower Federal match ratios for noninterstate funds. Federal funds have been spread out to average more total dollars of transportation improvement. Local governments have shouldered more of the financial burden, often exceeding the required match ratios.

In conclusion, the Portland region is requesting that the Federal Government meet its previous commitments to the interstate transfer program and the UMTA section 3 program at levels adequate to complete the Portland transportation program within a reasonable time period.

Again, I would like to thank you for giving me this opportunity to appear before you, and I want you to know that for a lifelong Republican like me, it is indeed a gratifying experience.

Senator ANDREWS. Thank you very much. It's great to have you here, and let me assure you that your own Senator, Senator Hatfield, who has been a longtime friend of mine when I served in the House and he was in the Senate on the Appropriations Committee, and now is chairman of our full committee, has pointed out to me the merits of what you suggested. He is a very strong and positive advocate for the points you are bringing out. You are extremely well represented.

Ms. SCHWAB. I know that. We appreciate our Senator.

Senator ANDREWS. I'm sure you are well aware of that, as well as Senator Packwood, who serves ably on other committees in the Senate. But thank you so much for an excellent statement. Be assured we will keep it very much in mind.

Ms. SCHWAB. Thank you very much.

[The statement follows:]

Statement of Mildred Schwab

The purpose of the Portland region's testimony today is to urge continued Congressional support of the Interstate Withdrawal Program and particularly the Portland Transportation Program which is based on the federal commitments established in that Withdrawal Program. Specifically, the region seeks:

1. Assurance of continued flow of funds for the Interstate Withdrawal Program until the program is completed. Preliminary figures in the USDOT budget are not sufficient to adequately fund the Portland program. While we recognize that efforts to balance the federal budget may require that the program be extended beyond 1986, the federal commitment to the program should be met. The Withdrawal Program should be treated as an equal of the Interstate Program, as originally intended, with similar funding levels, inflation formulas and program deadlines.
2. Continued commitment to the Banfield Project, the largest single project in the Portland Transportation Program, through a "full funding contract" of UMTA Sec. 3 funds and Interstate Withdrawal funds.

The Portland region has transferred two freeways (current value $468 million) since 1975. This decision was reached by the affected jurisdictions because the federal government was committed to equivalent funding levels for highway and transit projects. This commitment, based upon "contract authority" until 1976, offered the best opportunity to develop a complete and cost-effective transportation program.

Based on the federal commitment to equivalent funding, the region developed an overall transportation program of more than 100 projects spread throughout the region. The region transferred FAP and FAUS funds to other parts of the state for important but unfunded transportation projects. Local governments developed their individual projects and committed private and public funds for project implementation. Private interests have developed and, in some cases, already constructed major new housing, commercial or industrial developments. All of these efforts within the region were based on the federal commitment to the region for funding equivalent to that which was available through interstate projects.

The concept of the Portland Transportation Program is threefold. First, to place national and regional traffic on the interstate system, while improving arterials for local movement, the majority of travel in any urban area. Second, to use ridesharing, transit service and signal improvements to improve the traffic and person-carrying capacity of the region's existing street system. These methods handle peak-period congestion without major investments in additional capital projects. Third, careful development planning, parking management programs and other efforts were implemented to coordinate transportation and development at lower public and private costs. In short, the region has pioneered in the development of, and is carrying out, a transportation plan based on the TSM strategy which the Congress and U.S.DOT. have encouraged in recent years, and which the Reagan Administration has supported in recent budget documents.

The major elements of this program are described in the attached paper, which also describes the importance of these projects to the region. The fiscal implications of the program should be highlighted. Simply stated, the Federal government is getting a better return on its investment. Because of differing Federal match ratios for various fund categories, the Federal funds have been spread out to leverage more total dollars of transportation improvements. To accomplish this, local governments have shouldered more of the financial burden, often exceeding the required match ratios. These local funds have come from general tax dollars and from local improvement districts and other private sources.

In conclusion, the Portland region is requesting that Congress and the Federal government meet its previous commitments to fund the Interstate Transfer Program and the UMTA Sec. 3 program at levels adequate to complete the Portland Transportation Program within a reasonable time period.

March 31, 1981

THE PORTLAND TRANSPORTATION PROGRAM -- A REGIONAL PARTNERSHIP THAT WORKS

A. History of the Interstate Withdrawal-- Putting the Program Together.

In 1975, opposition to the proposed Mt. Hood Freeway forced the city and county to reconsider and then withdraw that freeway segment from the Interstate system. To reassess the best way to meet the transportation needs of the community, then-Governor Tom McCall appointed a Special Task Force on Transportation. This Task Force made landmark recommendations for restructuring transportation decision-making in the region, with some far-reaching implications:

1. Fiscal and environmental realities made it impractical to rely upon new freeways as the solution for urban travel needs.
2. Improvements of existing state and regional highways on an incremental, more cost-effective basis was essential.
3. Transit and highway planning should be done together, with sharing of rights-of-way and transit preferential treatment in the major travel corridors.
4. Better management of traffic was required, including support of carpooling, parking and transit policy coordination, and traffic engineering improvements to get more service from existing highways.

As a result of the recommendations, regional leaders decided to make better use of existing transportation corridors rather than building new ones; limit the growth of traffic on the region's highway system; and assign most of the new commuter growth to transit and carpooling.

By following those principles, Portland placed itself many months ahead of the federal government's eventual philosophy outlined in the "Transportation Systems Management" policy. That policy has been specifically singled out for support by the Reagan Administration in the U. S. Department of Transportation's budget document.

Working from the Governor's Task Force recommendations, the Portland region created a partnership and consensus on transportation development that is unique in the United States. This consensus of local governments evolved from a program to spend Mt. Hood freeway withdrawal funds on key transportation projects. Later, the program included funds from the I-505 withdrawal (which followed in 1978), and some Federal Aid Primary (FAP) and Federal Aid Urban (FAU) Highway funds.

The partnership includes every local government in the region, the three counties, the City of Portland, the MPO (Metro), Tri-Met, the Oregon Department of Transportation, the State Legislature, and commitments from the private sector. (A description of this remarkable consensus -- The Portland Transportation Program -- is included later in this paper.)

Undergirding the entire development of the Portland Transportation Program has been one constant -- a total reliance of the state and local governments upon the assurance of federal commitment. There was never any doubt that the federal government would do what it promised to do -- provide funds equivalent to those that would have been originally spent for the two withdrawn interstate freeway segments. Even during the past year, as it became increasingly clear that the appropriations level was not keeping pace with the needs and a slower rate of development might be necessary, no one doubted that the funds would ultimately be forthcoming:

Relying on that federal commitment, the private sector has invested substantial amounts of funds in development of industrial and commercial properties. Transportation rights-of-way have been donated. Private financing has been pledged to assist in special highway and transit development projects. Voters have agreed to tax themselves through local improvement districts and bonding programs for transportation projects, often providing local funds substantially greater than required to match the expected federal dollars.

Relying on that federal commitment, the Portland region has made financial tradeoffs with other parts of the state. The region has given up Federal Aid

Primary and Federal Aid Urban dollars to which it was entitled, to be spent for projects elsewhere in Oregon, funding local FAP and FAU projects with Interstate Transfer Funds instead.

Relying on that federal commitment, the Oregon Department of Transportation, Tri-Met, and many local governments have made expenditures to advance key features of projects which were to be completed later with Interstate Transfer Funds.

Relying on that federal commitment, all federal procedures and requirements have been followed in planning, environmental documentation, alternatives analysis, preliminary engineering and right-of-way acquisition, even though this has meant years of delay and cost escalation on projects.

Relying on that federal commitment, the region has pledged a greater share of local funds than required by federal guidelines. As a result, projects are scaled for cost effectiveness. No massive projects -- the type often spurred by the availability of "free" federal funds -- have been proposed. Balance and cost-effectiveness are hallmarks of the Program in both highway and transit projects.

B. Description of the Portland Transportation Program.

Following the policy objectives outlined in the Governor's Task Force, the Portland Transportation Program emerged. Rather than construct two interstate freeway segments serving only part of the region's needs, the program included highway and transit projects that met the transportation needs of the entire region. In effect, the Portland area started stretching limited transportation funding long before the arrival of the new Federal Policy.

The program was developed to effectively use the region's Interstate Transfer Funds for a variety of regional projects. As a result, ten major project categories, with funds reserved for each group, were developed. (See Table 1.)

Attempting to resolve major regionwide transportation problems first, half of the total money was reserved for upgrading of three existing travel corridors. The remaining funds were reserved to relieve critical highway congestion in areas throughout the region where major land developments were planned or already underway. The three regional travel corridors took first priority.

Regional Transitway Corridors. Recognizing the need to provide adequate capacity in established travel corridors, the Governor's Task Force recommended that highway and transit improvements be combined. As a result, three corridors for combined highway and transit development were identified and Interstate withdrawal funds allocated for their use. These were:

- The Banfield Transitway Corridor (eastside)
- The Sunset Transitway Corridor (westside)
- The Oregon City Transitway Corridor (southside)

The Banfield Transitway Corridor was designated the highest regional priority because of traffic congestion levels and the intensity of existing land uses. It is also the corridor directly affected by the withdrawal of the Mt. Hood Freeway project, which would have served eastside Portland.

The Banfield has developed the furthest as a project, with final engineering and right-of-way acquisition underway. Several millions of dollars already have been spent for improvements related to the project, including work on an interchange with I-205 Freeway bisecting the Banfield.

The project calls for major improvements to the twenty-five-year-old Banfield Freeway and construction of a light rail transit line -- an all-surface rail transit system that will bring immediate benefits to Portland and the eastside in relief of congestion and improved transit service. It also will result in immediate savings to Tri-Met in transit operating costs.

The relatively low capital costs for the surface rail line are only about one-eighth the cost-per-mile of constructing either a new freeway or a fully grade-separated rapid transit line such as those in Washington, D. C., Atlanta, San Francisco, Miami and Buffalo. Both the highway and transit portions of the Project have received key federal approvals. More than twenty percent of the total Project costs have been obligated to Tri-Met and ODOT, and more than ten percent of the total costs have now been spent or contracted.

The Banfield Transitway Project is the keystone of the Portland Transportation Program. Until it is constructed, providing for the east-west capacity needs of downtown Portland and east Multnomah County, the region's land use and economic development plans cannot fully move forward. Without the critical connections from I-205 to a reconstructed Banfield Freeway, and without a light rail line to absorb the 42,000 daily person-trips that even an expanded Banfield cannot handle, the public benefits from investment of hundreds of millions of dollars in the I-205 Freeway are significantly reduced. Local government leaders throughout the region have repeatedly affirmed their commitment to this project as the number one priority within the region.

The Sunset and Oregon City transitway corridors are now into the preliminary engineering, environmental impact statement and alternatives analysis stage. What will most likely be recommended is early implementation of Transportation Systems Management-type combined highway and bus transit improvements, with major transit improvements eventually expected. These corridors are crucial to the development of the region's mobility and economy.

Other Highway Improvements. The overall strategy of the Portland program is to provide the capacity for local travel within the region (90% of all travel) on local arterial streets rather than on much more expensive new freeways. These projects include:

1. The I-505 Alternative project - a short section of freeway to replace a temporary segment with severe safety problems, combined with arterial improvements that serve the purpose of the second transferred freeway with less disruption to industries and residences, for $55 million, only one-third the cost of the original freeway.
2. Improvements to major arterials - (Powell, Macadam, Union) which serve sub-regional movement.
3. Replacement of structurally unsound bridges (Holgate, Terwilliger) and highway segments (Columbia Boulevard).
4. Other arterial improvements ($41 million) in the residential and industrial areas which were subjected to decay and disinvestment during the long debates over the freeway construction.
5. Access improvements to other major employment and residential areas.
6. Coordination of signal improvement and interconnect systems which improve the traffic and person-carrying capacity of the region's existing street system. The program uses these methods to handle peak-period congestion rather than building freeways sized for these short periods.

Other Transit Programs. Investment in ridesharing programs, improved patterns of bus service, park and ride lots and transit stations, plus bus purchases for better use of our transit system.

Fiscal Aspects. Because of the differing Federal match ratios, the Federal funds have been spread out to leverage more total dollars of transportation improvements. The Federal government is getting a better return on its investment. The budget strain on the state has been reduced. Local governments have shouldered more of the financial burden, often exceeding even the required match ratios. These local funds have come from general tax dollars and from local improvement districts and other private sources.

C. Impacts of the Portland Transportation Program.

The Portland Transportation Program offers innovative solutions while at the same time dealing with the reality of fiscal constraints upon new freeway construction. It successfully responds to the pressures of urban growth, economic development and congestion. Some key examples that illustrate the need to be innovative yet thrifty are:

- In 1970, the Portland-Vancouver Metropolitan Area Transportation Study projected a 1980 regional population of 1.2 million people and called for the construction of 92 miles of freeway to meet the resulting travel demands. The cost, in 1980 dollars, of that proposed freeway network was estimated at $3 billion. The 1980 population was actually 1.23 million. Only fifteen miles of new freeway are being built, however, and the major travel demands must be met from the promised

$400 million in Interstate Transfer Funds. The Portland metropolitan area, among the top twenty in the country in rate of growth over the past decade, continues to rapidly grow.

- Downtown Portland has experienced a resurgence of development in the last several years. Office and retail employment has increased twenty percent since 1970. Yet, auto movement into the downtown has actually dropped slightly in that period as a result of a combination of careful management of parking and improved transit service.
- A closely-coordinated liaison among key industrial employers, the city, the state, and Tri-Met has resulted in packages of highway, transit and ride-sharing programs that have opened up previously inaccessible land areas for industrial development.
- Transit service to major regional employment centers outside the Portland central business district has dramatically increased, with still more changes programmed over the next five years. At the same time, transit productivity has been improved and fares have been increased, reversing a ten-year decline in percentage of transit operating costs met from the farebox.
- Ridesharing activities involving employers and local government have resulted in one of the most successful carpool formation programs in the nation. Interstate Transfer Funds have assisted in this effort, both in program administration and facilities improvements.
- Selected highway projects are being developed to complete a balanced regional highway system meeting mobility, energy, environmental and economic goals.

Because of the close relationship among the many units of government and the private sector in development and implementation of the Portland Transportation Program, economies have been and can be realized. However, any changes in the basis of funding will result in delays and negative economic impacts.

D. Effects on the Region of Delayed or Reduced Interstate Transfer Funding.

Major access routes through the Portland region are limited to a few key corridors because the area is constrained by physical barriers -- the West Hills and two major rivers. Because of the restricted funding levels assumed by the Portland Transportation Program, no new freeways, tunnels, or bridges are called for. Instead, the expansion in commuter capacity is proposed by carpooling, transit improvements and improved highway operations management, with selected highway projects targeted at the most congested locations.

In addition, as an alternative to adding more highways, bridges and tunnels, local governments instead are working to do a better job of matching up housing with job opportunities. If successful, the growth of long-range commuting in the region will have been dampened. Initial efforts have been successful, resulting in a close partnership of the private sector and local government in selecting locations, designing and developing new job and housing centers in concert with key highway and transit projects.

The projects comprising the Portland Transportation Program were developed to solve immediate and long-term corridor travel problems. Delays in funding not only mean postponed solutions, it also means millions of dollars in private sector-financed economic developments will be jeopardized. The risk of economic loss to the region is real and is severe.

Some examples of private development projects that are closely allied to transportation projects -- in some cases, totally dependent upon them:

- Clackamas Town Center.
- Clackamas Industrial Park.
- Rivergate Industrial Park.
- Northwest Industrial Park.
- Swan Island Industrial expansion.
- Gresham Shopping Center.
- Burlington Industrial Development in Washington County.
- St. Vincent's Hospital/Peterkort Office Complex.
- Coliseum Convention Center.
- Downtown Portland Office Developments.

STATEMENT OF GEORGE STEWART, JR., CHAIRMAN, NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

ACCOMPANIED BY ROY RAFT, BOATING LAW ADMINISTRATOR FROM MARYLAND

Senator ANDREWS. Our next witness is Mr. William Kohler. We have no testimony for Mr. Kohler.

[No response.]

Senator ANDREWS. The next witness is representing the National Association of State Boating Law Administrations, Mr. George Stewart, boating law administrator of Delaware.

Welcome to our committee, Mr. Stewart.

Mr. STEWART. Thank you, Mr. Chairman.

Accompanying me is Roy Raft, our boating law administrator from Maryland.

I will, as you have advised, summarize my remarks.

Boating law administrators are State officials who plan and direct the boating program at State level. We work closely with the Coast Guard and other boating groups in promoting boating safety and enforcement on our waterways.

The Federal Boat Safety Act of 1971 provided certain grant-in-aid funds to the States. These funds ran out in 1979, and at that time there was an effort made by the Congress and by the boating community to come up with another method of financing the boating program.

Our presence here today is to solicit your support in implementing the Recreational Boating Safety and Facilities Improvement Act of 1980. That is Public Law 96–451. This law, which passed in the 96th Congress, authorizes the use of a portion of the 4-cent-per-gallon tax on marine fuel to be used to help the States finance their boater education and safety programs and to provide matching funds and to help the States improve their boating facilities.

In many respects, this act predates President Reagan's laudatory goal in reducing Federal involvement and shifting to the States the responsibility for providing government services.

This is exactly what the 1980 act intended to do, and with this committee's help, it will be successful. The boating community leaders representing manufacturers, boat clubs, and State boating law administrators decided that boating's long-term interest would best be served if a steady revenue source was created by which the boating public could pay their own way for those services and facilities considered essential for safe boating.

We wanted a program that would not cost the American taxpayer an additional dollar. What emerged from the 96th Congress was the Recreational Boating Safety and Facilities Act of 1980, Public Law 96–451. It is the opinion of the National Association of State Boating Law Administrators that this is the most important law passed since enactment of the original Federal Boat Safety Act of 1971.

Passage of Public Law 96–451 gave us the authorization. We all take justifiable pride in this accomplishment.

Our waterways satisfy the insatiable appetite of sport fishermen and recreational boating enthusiasts and those who desire to leave pressures behind, to relax and absorb the tranquility of our waterways.

TABLE 1

RESERVATION OF INTERSTATE TRANSFER FUNDS (MT. HOOD AND I-505) WITHIN REGION FOR CATEGORIES OF PROJECTS

1.	REGIONAL TRANSITWAY CORRIDORS		
	Banfield Corridor	$ 125.6 Million	
	Sunset Corridor	66.0 Million	
	Oregon City Corridor	32.0 Million	
		$ 223.0 Million	= 49% of Total
2.	SOUTHEAST PORTLAND PROJECTS		
	Powell Boulevard Widening	$ 14.5 Million	
	Other Projects	9.9 Million	
		$ 24.4 Million	= 5% of Total
3.	REGIONAL HIGHWAY PROJECTS		
	Oregon City By Pass	$ 15.5 Million	
	Sunset Highway/217 Interchange	13.2 Million	
	221st/223rd	4.5 Million	
	Powell/190th	2.7 Million	
	Highway 212	5.2 Million	
	Union Avenue	9.4 Million	
	Allen Boulevard/217 Interchange	5.8 Million	
	Macadam Boulevard	4.0 Million	
	Basin/Going Interchange	2.7 Million	
	Other Projects	11.4 Million	
		$ 74.4 Million	= 16% of Total
4.	EAST MULTNOMAH COUNTY TSM RESERVE		
	Miscellaneous TSM Projects	$ 5.0 Million	= 1% of Total
5.	PORTLAND RESERVE		
	Barbur/Terwilliger	$ 10.0 Million	
	Marine Drive	3.6 Million	
	Columbia/Lombard	2.8 Million	
	82nd Avenue	1.4 Million	
	Other Projects	32.2 Million	
		$ 50.0 Million	= 11% of Total
6.	REGIONAL TSM PROJECT RESERVE		
	Miscellaneous TSM Projects	$ 5.0 Million	= 1% of Total
7.	YEON BOULEVARD (Alternative to I-505)	$ 26.0 Million	= 6% of Total
8.	NORTHWEST PORTLAND IMPROVEMENTS		
	St. Helens Road	$ 3.2 Million	
	N.W. Front Avenue	5.1 Million	
	Other Projects	4.7 Million	
		$ 13.0 Million	= 3% of Total
9.	FAU/FAP REPLACEMENT PROJECTS		
	Columbia Boulevard	$ 3.7 Million	
	Oswego Creek Bridge	2.4 Million	
	East Burnside	1.9 Million	
	Sunnyside Road	1.4 Million	
	Nyberg Road	1.6 Million	
	158th/Jenkins	1.5 Million	
	185th Avenue	1.3 Million	
	Barnes Road	1.3 Million	
	Other Projects	1.8 Million	
		$ 16.9 Million	= 4% of Total
10.	REGIONAL RESERVE-HIGHWAY AND TRANSIT		
	Westside Reserve	$ 8.0 Million	
	Southern Corridor Reserve	3.5 Million	
	Other Transit, Ridesharing and Highway Projects	8.5 Million	
		$ 20.0 Million	= 4% of Total

Unfortunately, it isn't always fair winds and calm seas. Many times the boater is lured into a false sense of security. Severe thunderstorms and gale winds can appear on short notice and turn a fun-filled boating outing into a nightmare. Boaters are not privileged to stop in safety and call a towboat. Many times they are foundering or drifting helplessly due to sea conditions or mechanical failure or loss of radio.

A beautiful sight for a boat in distress is a State or Coast Guard rescue boat to appear on the scene.

Mr. Chairman, in summary, our association is deeply concerned for the safety of our Nation's boating public. We feel the right approach is allowing boaters to pay their own way, as provided for in Public Law 96–451. We ask this committee to help us help our boating public in making safe and enjoyable boating a reality on our Nation's waterways.

Mr. Chairman, I thank you for allowing the National Association of Boating Law Administrators to give testimony on the importance of providing a supplemental appropriation for fiscal 1981 and regular appropriation for fiscal 1982, as authorized in Public Law 96–451.

That concludes my brief remarks.

Senator ANDREWS. Thank you very much for an excellent statement.

You'll be interested to know that the Coast Guard also appeared earlier and in essence they support many of the points that you brought up.

Be assured that we will have your remarks in the record when we work up this bill, and they will be very helpful to us.

Mr. STEWART. Sir, we do work very closely with the Coast Guard. It is a joint effort on navigable waters. We do think we need the funds to continue our program.

Senator ANDREWS. Thank you.

[The statement follows:]

STATEMENT OF GEORGE W. STEWART, JR.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GEORGE W. STEWART, JR., BOATING LAW ADMINISTRATOR OF DELAWARE AND CHAIRMAN OF THE LEGISLATIVE COMMITTEE OF THE NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS.

MY PRESENCE HERE TODAY IS TO SOLICIT YOUR SUPPORT IN IMPLEMENTING THE RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT ACT OF 1980 PL 96-451. THIS LAW WHICH PASSED IN THE 96TH CONGRESS, AUTHORIZES THE USE OF A PORTION OF THE FOUR CENTS PER GALLON TAX ON MARINE FUEL TO BE USED TO HELP THE STATES FINANCE THEIR BOATER EDUCATION AND BOATING SAFETY PROGRAMS, AND TO PROVIDE MATCHING FUNDS TO HELP THE STATES IMPROVE THEIR BOATING FACILITIES.

IN MANY RESPECTS, THIS ACT PREDATES PRESIDENT REAGAN'S LAUDATORY GOAL OF REDUCING FEDERAL INVOLVEMENT AND SHIFTING TO THE STATES THE RESPONSIBILITY FOR PROVIDING GOVERNMENT SERVICES. THIS IS EXACTLY WHAT THE 1980 ACT IS INTENDED TO DO, AND WITH THIS COMMITTEE'S HELP, IT WILL PROVE SUCCESSFUL.

THIS LAW IS CONSIDERED TO BE THE MOST EFFECTIVE, THE MOST COST EFFECTIVE, MANNER TO ACHIEVE OUR OBJECTIVE OF SAFE AND ENJOYABLE BOATING FOR THE MORE THAN 60 MILLION BOATERS WHO USE OUR NATION'S WATERWAYS. THE LAW ALLOWS THE BOATING PUBLIC TO PAY THEIR OWN WAY, WITHOUT COSTING THE NON-BOATING TAXPAYER ONE PENNY. IT FOLLOWS THE PRECEDENT SET BY THE HIGHWAY TRUST FUND FOR MOTORISTS AND THE AIRWAYS TRUST FUND FOR PILOTS.

FUNDS THAT WERE MADE AVAILABLE UNDER THE FEDERAL BOAT SAFETY ACT OF 1971 HAVE MADE A MAJOR CONTRIBUTION TO BOATING SAFETY. FATALITIES FROM BOATING ACCIDENTS WERE REDUCED FROM 20.2 PER 100,000 BOATS IN 1971 TO 9.4 PER 100,000 BOATS IN 1978. THE FUNDS AUTHORIZED UNDER THE FEDERAL BOAT SAFETY ACT HAS TERMINATED AT THE END OF 1979 AND WE HAVE SEEN A REVERSE OF THIS TREND FOR THE FIRST TIME. WITH THE GRANT-IN-AIDS, THE STATES HAVE BEEN ABLE TO REDUCE ACCIDENTS AND FATALITIES, RELIEVE THE COAST GUARD BOATING SAFETY

TEAMS ON MANY OF THE NATION'S WATERWAYS, THUS ALLOWING THE COAST GUARD TO PURSUE HIGHER PRIORITY PROGRAMS, PROVIDE A HIGHER QUALITY OF BOATING EDUCATION, PRODUCE A SYSTEM OF INVESTIGATING AND REPORTING BOAT ACCIDENTS AND MOST OF ALL PROVIDE FOR A MORE RAPID RESPONSE TO BOATS IN DISTRESS.

WITH THE NATIONAL TREND OF A STEADY INCREASE IN REGISTERED BOATS, THE NEED FOR A POSITIVE BOATING SAFETY PROGRAM HAS NEVER BEEN GREATER. THE STATES MUST PLAY AN EVEN GREATER ROLE AND ASSUME ADDITIONAL RESPONSIBILITIES FOR RECREATIONAL BOATING SAFETY IN THE FUTURE. NEEDLESS TO SAY, THIS WILL RELIEVE THE COAST GUARD TO FOCUS ON THE MANY OTHER RESPONSIBILITIES THAT A SHIFT OF NATIONAL PRIORITIES HAVE PLACED UPON THE SERVICE. WE FEEL THE COAST GUARD NEEDS THE STATES' ASSISTANCE IN CARRYING OUT A PROVEN BOATING SAFETY PROGRAM KNOWN TO BE IN THE BEST INTEREST OF OUR NATION'S BOATING PUBLIC.

THE LAW ALSO ADDRESSES THE OVERCROWDING AND CONGESTION OF OUR WATERWAYS CAUSED BY A CRITICAL AND GROWING SHORTFALL IN THE AVAILABILITY AND DISTRIBUTION OF SAFE AND ADEQUATE BOATING FACILITIES. THIS IS ESPECIALLY TRUE IN THE COASTAL AND URBAN AREAS. WITH THIS LAW, WE SEE THE EXPANSION AND DEVELOPMENT OF A WIDE VARIETY OF NEW BOATING FACILITIES IN EVERY STATE: THIS INCLUDES LAUNCHING RAMPS, MARINAS AND DRY STORAGE AREAS. BY ALLOWING THE BOATER TO LAUNCH AND DO THEIR BOATING CLOSER TO HOME, WE ENVISION REDUCED FUEL CONSUMPTION. NEEDLESS TO SAY, THE SAFETY FACTOR HAS NOT OVERLOOKED AS THE EASIER ACCESS TO THESE BOAT LAUNCHING RAMPS WILL EXPEDITE REMOVING BOATS FROM THE WATER ON THE APPROACH OF INCLEMENT WEATHER CONDITIONS.

IT IS THE OPINION OF THE NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS THAT THIS IS THE MOST IMPORTANT LAW PASSED SINCE ENACTMENT OF THE ORIGINAL FEDERAL BOAT SAFETY ACT OF 1971. THE PASSAGE OF PL 96-451 GAVE US THE AUTHORIZATION. WE CAN ALL TAKE JUSTIFIABLE PRIDE IN THIS ACCOMPLISHMENT.

OUR ASSOCIATION FEELS THAT IT IS NOTEWORTHY THAT PL 96-451 RECEIVED THE OVERWHELMING SUPPORT OF THE NATIONAL BOATING FEDERATION, THE NATIONAL MARINE MANUFACTURERS ASSOCIATION, BOAT OWNERS ASSOCIATION OF THE UNITED STATES, NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, THE NATIONAL SAFE BOATING COUNCIL WITH ITS 29 MEMBER ORGANIZATION, THE PRESTIGIOUS NATIONAL BOATING SAFETY ADVISORY COUNCIL, BOATING COMMUNITY LEADERS AND MANY INDIVIDUAL BOATERS. THESE ORGANIZATIONS WERE UNITED IN THEIR EFFORTS TO SEEK OUT A PROGRAM THAT BOATINGS LONG-TERM INTERESTS WOULD BEST BE SERVED IF A STEADY REVENUE SOURCE WAS CREATED BY WHICH THE BOATING PUBLIC COULD PAY THEIR OWN WAY. THEY WANTED A PROGRAM THAT WOULD NOT COST THE AMERICAN TAXPAYER ONE ADDITIONAL DOLLAR. WHAT EMERGED FROM THE 96TH CONGRESS WAS PL 96-451.

OUR PRECIOUS NATIONAL RESOURCE "OUR WATERWAYS" NOT ONLY ENTICES THE BOATING PUBLIC WITHIN OUR OWN STATE BOUNDARIES, BUT ALSO THOUSANDS OF BOATERS FROM NEIGHBORING STATES. OUR WATERWAYS SATISFY THE INSATIABLE APPETITE OF SPORTFISHERMEN, THE RECREATION BOATING ENTHUSIAST AND THOSE WHO DESIRE TO LEAVE PRESSURES BEHIND TO RELAX AND ABSORB THE TRANQUILITY OF OUR WATERWAYS AND BEACHES.

UNFORTUNATELY, IT ISN'T ALWAYS "FAIR WINDS AND FOLLOWING SEAS" AND MANY TIMES A BOATER IS LURED INTO A FALSE SENSE OF SECURITY. SEVERE THUNDERSTORMS WITH GALE FORCE OR HIGHER WINDS CAN APPEAR ON SHORT NOTICE AND TURN A FUN FILLED BOATING OUTING INTO A NIGHTMARE. OUR BOATERS ARE NOT PRIVILEGED TO STOP IN SAFETY AND CALL A TOWBOAT. MANY TIMES, THEY ARE FLOUNDERING OR DRIFTING HELPLESSLY DUE TO SEA CONDITIONS OR MECHANICAL FAILURE AND LOSS OF RADIO. A BEAUTIFUL SIGHT FOR A BOAT IN DISTRESS IS A STATE OR COAST GUARD RESCUE BOAT TO APPEAR ON THE SCENE.

OUR ASSOCIATION IS A FIRM BELIEVER OF UNIFORMITY AND RECIPROCITY OF BOATING LAWS. THEY ALSO BELIEVE THAT A BOATER

IN DISTRESS SHOULD BE RENDERED ASSISTANCE BY THE MOST EXPEDITIOUS MEANS AVAILABLE. WHO CONDUCTS THE RESCUE IS NOT IMPORTANT. WHAT IS IMPORTANT IS THAT THE RESCUE IS MADE.

SINCE ENACTMENT OF THE FEDERAL BOAT ACT OF 1971, WE HAVE HAD A PROGRAM THAT HAS WORKED WELL. THIS ACT PROVIDED GRANT-IN-AID FUNDS TO THE STATES TO BE USED IN THEIR BOATING SAFETY PROGRAM. HOWEVER, THERE WAS CONCERN ABOUT GENERAL TAX REVENUE BEING USED TO A SELECT GROUP, "OUR BOATING PUBLIC." THUS CAME WHAT WE BELIEVE TO BE AS I MENTIONED EARLIER IN MY TESTIMONY, THE MOST IMPORTANT PIECE OF LEGISLATION SINCE THE FEDERAL BOAT ACT OF 1971, THE "RECREATIONAL BOATING SAFETY AND FACILITIES IMPROVEMENT ACT OF 1980." THIS ACT, WHICH DIRECTS THE MARINE FUEL TAX TO OUR BOATING PROGRAM, WAS VIEWED BY THE BOATING PUBLIC TO BRIDGE THE GAP LEFT BY THE LOSS OF THE GRANT-IN-AID FUNDS.

MR. CHAIRMAN, OUR ASSOCIATION AND THE 60 MILLION OF OUR CITIZENS WHO GO BOATING ASK THIS COMMITTEE'S SUPPORT IN INITIATING A SUPPLEMENTAL APPROPRIATION FOR FISCAL 1981 AND TO INCLUDE A FUNDING REQUEST IN THE COAST GUARD'S FISCAL 1982 BUDGET FOR OUR BOATING SAFETY AND FACILITIES IMPROVEMENT PROGRAM. I MIGHT ADD THAT THE U.S. COAST GUARD IS ALREADY ON RECORD REQUESTING THESE FUNDS THROUGH THE OUTGOING ADMINISTRATION.

MR. CHAIRMAN, IN SUMMARY, THE NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS APPRECIATES THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE TO SOLICIT YOUR SUPPORT IN THE IMPLEMENTATION OF PL 96-451.

THANK YOU.

STATEMENT OF JOHN P. KILLORAN, EXECUTIVE DIRECTOR, WEST VIRGINIA RAILROAD MAINTENANCE AUTHORITY

ACCOMPANIED BY FRANCIS G. McKENNA, ANDERSON & PENDLETON, WASHINGTON, D.C.

Senator ANDREWS. Our next witness is Mr. John Killoran, representing the West Virginia Railroad Maintenance Authority.

Mr. Killoran, let me assure you that your Senator, Mr. Byrd, who is a member of this subcommittee, and a member, of course, of the overall Appropriations Committee, has already communicated to me of his interest in your project, and I can assure you that it is a most worthwhile and helpful backing.

Mr. KILLORAN. I deeply appreciate the interest of both our Congressmen and Senators, as well as yours, sir, and we appreciate the opportunity to appear today.

Senator ANDREWS. As a matter of fact, my long-time colleague and chairman over on the House side was John Slack, from Charleston, as you are, too. He was an outstanding Member of Congress. He and his wife and Mary and I have been together on a number of trips, and worked together over some 16 years. We certainly knew an excellent representative from Charleston over the years.

Mr. KILLORAN. We surely miss him.

Senator ANDREWS. We all do.

But you may proceed.

Mr. KILLORAN. Thank you very much.

With me this morning is Mr. Frank McKenna, who is our counsel.

In October 1978, utilizing funds provided by the State of West Virginia, in cooperation with the Federal Government, under various local rail assistance programs passed by the Congress, the State of West Virginia took over the ownership and operation of a 52-mile-long branch line railroad in West Virginia.

This was unique, and under this law is still unique in that the State both took over the ownership and the operation. So it is a State-operated State railroad.

This takeover was predicated in major part on the reliance of provisions of Federal legislation, which gave the State assurance that funds would be available for a 5-year period to rehabilitate the track, since the line was in very serious condition, trackwise.

This effort could not have been undertaken without the Federal assistance we have, and which we believed we would still receive to finish the project, which is only partly completed.

State funds alone are inadequate to complete it. We are 2 years into the project now and Federal funds that were to be made available in fiscal 1981, beginning last October, have been frozen by the administration, subjected to a recommendation of deferral, and the administration has proposed to delete all funding in future years for our program; in fact, for the entire local rail assistance program nationwide.

If these funds are not made available, our railroad, of course, will not be rehabilitated and eventually—and "eventually" is this year, not down the road a long time—be unable to continue operation, simply because of the physical condition of the line.

If that happens, capital investments, which are well in excess of $10 million at this time, by shippers and industries along that line will become obsolete. Approximately 2,000 persons now employed in a three-county period will, in a 2-year period or less, be either on the unemployment roles or the welfare roles.

Unless this committee and the Congress are willing to act, the entire project will be terminated. We will have serious economic dislocation and also reduction in income to the Federal Government paid in taxes by the companies on the line and their employees, far in excess of what the Federal contribution to this project will cost.

I might point out that in addition to the approximately $2½ million this project has utilized so far in Federal funds, an equal amount has been provided by the non-Federal sector, primarily by State government. This has been very much of a sharing process between both the Federal, the State, and private enterprise.

If the Federal funding is continued, rehabilitation of the line will be completed, and the line operated on a profitable basis.

Our needs are not unique. Many other States have problems certainly equal to ours. Therefore, we urge the committee to support a strong and adequately funded State rail assistance program and recommend such a program to the Senate.

Thank you very much for your time, sir. If there are any questions, I'll be glad to try to answer them.

Senator ANDREWS. You made an excellent statement. As I said earlier, Senator Byrd has already contacted us.

Let me assure you that we have the same situation in the area that I come from, North Dakota.

Mr. KILLORAN. I'm quite aware of that.

Senator ANDREWS. And South Dakota, with the abandonment of Milwaukee Rail trackage that runs through North and South Dakota. So we are extremely aware of the problem and your testimony will play an important part in our final deliberation.

Thank you.

Mr. KILLORAN. If it will help just a little bit, we'll certainly be happy. Thank you very much.

[The statement follows:]

STATEMENT OF JOHN P. KILLORAN

Mr. Chairman, and members of the Transportation and Related Agencies Subcommittee on Appropriations of the United States Senate, I represent a state that does not have a major branch line rail program. We are, fortunately, not dealing with dozens of branch lines that are failing, and thousands of miles of abandoned tracks. Many states are, however, in this situation, and their stories would be woefully adequate to illustrate what I represent by our case in West Virginia.

Our program is devoted to one line, serving three counties, 51 miles in length, with traffic of about 2,000 carloads of freight annually. Small potatoes - Yes! Local service - Yes! Miniscule compared with the great trunk line railroads - Yes!

But, is that the full measure of a viable and essential shortline carrier? I submit that it is not, and here's why.

In early 1976, shortly after the creation of the agency which I head, a number of abandonments were proposed by trunk line carriers serving our state. Of these, aggregating about 150 route miles, only one was selected for retention and operation. This was the Baltimore and Ohio's (B&O) South Branch division.

We reached that decision following exhaustive study by both the Authority within the state rail planning process; and by an independent detailed study performed by an international consulting firm.

The studies concluded that this particular line:

a. served expanding industries in three large rural counties which base their economies on light industry and agriculture,

b. that traffic on the rail line would improve drastically and that the line could be profitable within a reasonable time,

c. that over 2,000 jobs in these counties would be lost, within one to two years, directly, by the loss of rail service, and

d. that propects for industrial expansion, which are substantial in this region, would be totally lost without rail service.

The studies, which were adopted by the Authority, recommended:

a. That West Virginia acquire the rail line from B&O upon abandonment,

b. That West Virginia utilize Federal 3R and 4R Act funding to rehabilitate the physical plant to long-term Class II track conditions, and

c. That West Virginia support the operations of the line until it achieved profitable status.

I should remind the Subcommittee that, when 3R and 4R rail acts were enacted in 1973 and 1976, a balanced program of rationalization of excess rail milage was proposed which brought the states - for the first time - into a major role in local rail services. These laws provided for assistance in operating subsidy for short time duration, and assistance to remedy years and decades of material neglect in maintenance of track and bridges. That balance was used to garner state support for major changes in rail abandonment procedures.

Upon the framework of this program, West Virginia believed and committed itself to a long-term program of rehabilitation and operation of the South Branch line. Our state then, relying on the Congress, proceeded to support the theory that continued and upgraded rail service was needed and would be eventually profitable. In any case, the loss of rail service to those counties would be, and still is, a major catastrophe to basic employment of a considerable number of persons.

After several months of additional study the Authority, on April 1, 1978, voted to acquire the line and to operate it using state employees of the Authority. On October 15, 1978, the South Branch Valley Rail Road, a common-carrier freight railroad certificated by the Interstate Commerce Commission, went into business. This was the first such rail line in the United States to be created under the 3R and 4R acts which is both owned and operated by a state government!

Since October 15, 1978, when the South Branch Valley R.R. (SBV) became operational:

a. Traffic has grown to an estimated 2,000 revenue carloads per year, from 822 carloads per year of revenue traffic in the last full year of B&O service. Traffic is forcast to grow to a level of about 3,500 carloads per year by 1985 solely from pending increases in business by existing shippers. The current national recession has temporarily "flattened" out growth, but no loss of traffic has occured during this period.

b. Additional employment in directly rail-related shippers (bulk commodities shipped or received for long distances of over 500 route miles) has occured. If rail service stopped today, the Authority estimates that 2,500 jobs would be directly lost within 24 months (most within 12 months) of cessation of rail freight service.

At a factor of 3.5 service industry jobs to 1.0 direct industry jobs, an additional 8,750 jobs would be affected to some degree by closing of the rail line.

c. Exclusive of personnel employed as temporary workers in rehabilitation of track (a program that will be completed in two additional calendar years of funding), the SBV employs 32 permanent workers. This is less than half the average number of employees utilized on most shortline railroads per route mile, and about 25% of the average number of employees utilized on trunk-line carriers per route mile (exclusive of Conrail).

d. Two major new industrial plant locations are in final stages of negotiation for the service area of the SBV. Each industry was attracted because of the rail service available. Each industry will utilize bulk rail shipments over long distances and will not locate in this area unless rail service is assured.

e. Under existing Federal law, the SBV will become ineligible for operating assistance (subsidy) on September 30, 1981. This assistance, between the above date and profitable status on the line, will be assured from non-Federal sources. Operating subsidy funds are not an issue with West Virginia on the SBV line, and have never been an issue.

In addition to the requirement that the railroad track and raodbed be rehabilitated to good and safe standards, which is underway, the line has two (2) main line bridges which are old, light-duty, and must be replaced. Funds for this project are not available elsewhere and the Authority has intended replacement of these structures be funded from Federal rehabilitation programs. Built in 1879 and 1880 respectively, these bridges are past their safe operating life. Additionally, they carry only 70-ton loaded cars, while 100-ton cars are part of the national rail system and must be accommodated on the SBV to it shippers.

In the past two years, Federal assistance funds totalling about $1.5 million have been earned by West Virginia under the local rail assistance program. In those same two years, West Virginia has provided $1.0 million in direct appropriations to the project - which primarily has been track rehabilitation work. Therefore, it is correct to sya that West Virginia has been participating fully in this project and paying its share, beyond Federal minimum participation.

Acquisition of the rail line itself, in 1978, was totally accomplished by using non-Federal funding sources. While great sums of money under the national program have been used to simply pay rent on old tracks to trustees of estates of bankrupt carriers, West Virginia has owned its tracks since the project started, and not one single dollar used in acquiring them came from Federal appropriations! This itself is a major and unique feature of our SBV project.

We are, by long term policy commitment, saving a railroad for permanent service to our industries and citizens. We entered into this project with the sole intent of providing good reliable cost-effective rail service to our shippers, and we have done so. We have utilized Federal financial assistance, from the first day to now, to repair the tracks which deteriorated for thirty years before we took this project as ours to compelte. Once rehabilitated, we intend to institute and continue a program of continued, or normalized, maintenance which will keep the SBV line in good condition in the distant future. This is not a project to let the shippers down gently, over a few years, before abandonment. It is not a program to keep a rail line on the public dole forever and ever. It is a case where positive and agressive action was undertaken to keep a needed rail line in service without interruption, to improve it, and to see that it served its customers permanently.

There are two things we hear often regarding branch line railroads. One is that if it cannot succeed here, then it will simply result in dislocation to other states. Hence the national effect is balance.

The other is that interstate commerce is not affected and the line is purely local, therefore not the subject for Federal investment.

Certainly, the theoriticians and philosophers can prove, from their ivory towers, that dislocation of industry could be balanced out - that if it is lost here then it will reappear somewhere else. That, Gentlemen, is fine theory. It is, however, pretty hard to swallow in a rural state where thousands of persons who cannot relocate to a place their jobs "might" reappear face job loss. It is not very practical to a state government such as ours that believes this region of our state has one of greatest potential opportunities for major industrial expansion. It does not make much sense to deprive the regional interstate rail network of this traffic because it currently loses money on a small part of the route. Theory is fine, but our job, and yours I submit, is not to put more Americans out of work.

The statement that interstate commerce will not be disrupted by local rail abandonments, is, at least in our case, dead wrong! No, I don't mean that the B&O is going out of business today or any other trunk line railroad. But, when 2,000 loaded cars go out or come in, they are traveling as part of the national rail system. Our kitchen cabinets moving to Arizona, Utah, and Alaska use our rails for only 50 miles - then they contribute to many other rail carriers. The same can be said for grain from Ohio or Indiana or nitrate products from Florida, or soy meal from Illinois, or paper from New York and Maine -- to name some of our destinations or origins of significant traffic segments on the SBV line.

We contribute, in net off-line freight revenue, over $1.1 million each year. By 1985 we estimate, using current dollar values and freight charges, that this will be $3 million contribution to other railroads for their services. Multiply our small line by dozens or hundreds of others in this Nation, and you can easily see that the interestate rail system is affected, and dramatically!

Our experience from 1978 until now is that, given the cooperative support of the Federal and State governments, with the local support and that of the shippers, the railroad is prospering. The rehabilitation of the tracks have totalled about one third of the 51 route miles. The railroad has been singled out by the national and local media and by the rail industry as an excellent example of a branch line project that works!

Yet, in February 1981 we learned that our funding from Federal sources for rehabilitation in the year beginning October 1, 1980 had been frozen. On March 10, 1981 we learned that the Reagan administration had acted to "defer" the national branch line program; and with it the funding for the South Branch Valley line.

That means that our work will stop soon. Our remaining state and other non-Federal funds will keep us going until mid-summer. After that time, unless funding is provided, we will shut down as our tracks break down.

We suggest two things to Congress:

First, that the program of local rail assistance should be retained in some form to support and continue those projects that have been proven beneficial.

Second, that the monies provided by Congress for 1981 fiscal year be made available to those to whom commitments were made. In the case of West Virginia, administrative approval was made in early January to our grant application, which itself was the first submitted nationally this year - on November 17. Yet, we were denied funding by freezing, and now "deferral."

I know that many other states have programs which are as deserving as ours, and will be affected, or are now affected, just as much as we are. With abandonment of the Rock Island, the reduction of the Milwaukee lines, and the coming major debate over continuation of Conrail, I submit it is vital to the national interest that state rail programs with their state rail transportation plans be kept intact. It will be just as important in future years as it has been in our northeastern and midwestern states that a viable national rail freight system be maintained. To do so, it will be equally important that state programs be retained, as well as a national expertise in Washington. Without both, we are each destined to fail.

Thank you for your consideration and interest..

STATEMENT OF JOHN H. MARINO, PRESIDENT AND CHAIRMAN OF THE BOARD, HILLSDALE COUNTY RAILWAY CO., INC., ON BEHALF OF THE AD HOC COMMITTEE TO PRESERVE FEDERALLY-ASSISTED SHORT LINE RAILROADS

ACCOMPANIED BY:
ERIC D. GERST, ATTORNEY FOR AD HOC COMMITTEE
DAN SQUIRES, WALD, HARKRADER & ROSS, WASHINGTON, D.C.

Senator ANDREWS. Our next witness is Mr. John Marino, president and chairman of the board of the Hillsdale County Railway Co., Inc. He is speaking on behalf of the Ad Hoc Committee to Preserve Federally-Assisted Short Line Railroads.

Probably this is a good time to again explain, if some of you weren't here, we are running on a time schedule trying to give equal time to all comers. Of course, if you come from the State of North Dakota, you get a little bit more equal time than others. [Laughter.]

But in order to make it equitable, we have the same timers we use on Senators.

Your statement will appear in full in the record, and if you summarize it, we can have more time. The blue light is when you are safe; the yellow light is, of course, showing problems; and the red means that you are out of time.

Mr. Marino.

Mr. MARINO. Mr. Chairman, it's a pleasure to be here today on behalf of my company, the Hillsdale County Railway, and the Ad Hoc Committee on Federally-Assisted Railroads.

I have with me Eric Gerst, who is secretary to the group and counsel for several railroads who will be available for questions, should you have any.

I have given you my written statement in support of this program, and I will briefly summarize, and I want to reiterate what Mr. Killoran said, that we believe very strongly that the local rail assistance program does provide a vital source of funding for central rail branch lines.

We would like to propose that the subcommittee report out an impoundment resolution which would disapprove the deferral of fiscal 1981 funds and continue to fund the program in fiscal 1982 and beyond.

We think the continued funding of the program of short line railroad is critical if they are to play a role in restructuring the entire system, not only the rail system in the Northeast and Midwest States served by Conrail, but in States such as your own State, served by other railroads that are abandoning or will abandon lines.

We think there is a need for a central local rail service as part of the feeder network into the national rail system, and we believe strongly that there will need to be some partnership of Federal funding and private sector funding to make the program viable.

Briefly, what I'm going to give you is sort of a capsulized summary of a program that's worked, and our railroad, I think, is perhaps a prototype of how Federal funding in supporting capital improvements and rehabilitation projects, with matching funds by States and local communities, by shippers, in our case employees actually purchased stock in the railroad—a partnership basis can preserve the central railroads, rehabilitate them and make them part of our long-term national transportation system.

We have been fortunate since 1976 with the support of the two States that we serve, and I have indicated that our railroad operates miles of line in the States of Michigan and Indiana. We hauled approximately 4,000 carloads of freight a year.

The significant thing is that when we took that railroad over in 1976, it was basically abandoned by the Penn Central, just a shell of its former self. The line was embargoed for hazardous commodities. Train speeds were restricted to 8 miles an hour. It was a railroad in name only. We kind of pulled ourselves up by our own bootstraps with funding by the Federal Government and States which, over the last 3 years, has totaled $2.3 million, of which $1,018,000 was Federal funds. The balance were State and our own moneys.

We have been able to restore service and bring train speeds up to reasonable levels. We have regained the confidence of our shippers, people are coming back on the railroad.

In our particular case, we have been fortunate with the promise of continued rail service in southern Michigan, to attract on our line a $95 million coal-fired powerplant, and I believe this is the largest single new facility in terms of dollars to be built on any federally assisted rail line, and it's a key to our long-term survival for having the railroad preserved through Federal funding.

The new revenues from this coal traffic, which will generate about 200,000 tons of coal a year, start moving next year, and our railroad is on the road to survival.

The problem facing us is that our railroad is at the end of a cul-de-sac. We operate 40 miles at the end of a 40-mile Conrail branch line, and our service is only as good as that connecting line.

Should Conrail, as they've indicated to us, wish to abandon that line, we would be ready, willing, and able to step in and acquire the line, but we would, of course, need some assistance in the front end in rebuilding and rehabilitating that railroad.

So, to summarize, I think the programs work. In our case we were fortunate the program was available. We would suggest that perhaps the program should be redirected and modified to direct funds toward capital improvements and investment in the facility, rather than operating subsidies.

We think the program serves a need, and would like your support. We'd be willing to answer any questions you have on our particular circumstance.

Senator ANDREWS. Thank you for an excellent statement.

On page 9 of your statement, you mention taking the necessary steps to preserve a viable core rail system: "Conrail's lines are essential to the operational integrity of the national rail system."

I asked an earlier witness, and I would like your comments on this as well, do you think it would be in the best interest of the Nation to sell Conrail or attempt to continue to use it in the condition it's in?

Mr. MARINO. Well, in my statement, I mentioned lines, Conrail's core lines are essential. As to the ownership of the line, that's a question I'm not prepared to answer. It could be owned by Conrail or another solvent railroad, but I would not like to see that core system liquidated or terminated because it's essential, as I say, to all railroads because the traffic is interchanged in all 50 States. It's not just a regional or local problem.

Senator ANDREWS. But you're for the best way of keeping freight moving over the lines?

Mr. MARINO. If the best way were to transfer to a carrier outside the Northeast region, I would encourage that.

Senator ANDREWS. Thank you very much. I appreciate your coming.

[The statement follows:]

STATEMENT OF JOHN H. MARINO

Mr. Chairman, I am John H. Marino, President of Hillsdale County Railway of Hillsdale, Michigan. I am testifying here this morning on behalf of the Ad Hoc Committee to Preserve Federally Assisted Short Line Railroads, a group of about 15 short line railroads,*/ all of whom have participated in the Local Rail Service Assistance ("LRSA") program. To summarize, we urge the Subcommittee to report out an impoundment resolution disapproving the deferral of fiscal 1981 funds for the LRSA program and to continue to fund the program in fiscal 1982 and beyond with some modifications.

We believe that continued funding of the LRSA is critical if the short line railroads are to play any role in restructuring the National Rail System (in particular, the ConRail system). ConRail is likely to abandon up to 6,000 miles of track in the near future, as part of a wholesale restructuring resulting from the proposed budget cutbacks. Trunk line railroads in other parts of the country are planning to abandon several thousand additional miles of rail branch lines. As a result, rail service to hundreds of rural communities, small towns, and outlying areas will be reduced and in many cases eliminated.

One means of alleviating the impact of these wholesale abandonments is to encourage privately owned and operated short line railroads to be formed to take over the operations and management of essential branch lines. This alternative, however, is only feasible through continued federal funding of the LRSA program, a program that the President has proposed to eliminate completely.

Our experience with the Hillsdale County Railway demonstrates how the Local Rail Service Assistance program can be effective in maintaining rail service to the smaller communities and shippers so dependent on these services.

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*/ A list of the Ad Hoc Committee to Preserve Federally Assisted Short Line Railroads is attached to this statement.

The Hillsdale County Railway Co. was formed in 1976 to continue essential rail services abandoned by the former Penn Central Transportation Company. Local rail users, concerned citizens, and employees of the company provided the initial working capital necessary to continue rail operations. The Hillsdale railroad operates as a "designated operator," under contract to the Michigan Department of Transportation, and the Indiana Public Service Commission, and provides the only rail service to Hillsdale County, Michigan.

When Hillsdale took over the rail properties, the entire line was under safety waivers of the Federal Railroad Administration, due to the deteriorated condition of the physical plant. Train speeds averaged eight (8) miles per hour, and operations were costly and unreliable.

Between July, 1977 and November, 1980, Hillsdale County Railway improved the conditions of its lines and removed federal safety waivers. All slow orders were removed, and operating speeds increased up to 25 MPH. The following work program was completed by the railroad's own employees between 1977 and 1980:

60,138	new cross-ties installed
1,529	new switch ties installed
689	tons of relay rail installed
45,600	tons of crushed stone ballast installed
25	highway crossings rebuilt
61.4	miles of track surfaced

Funds expended on these projects totalled $2,307,100. Approximately 44% of these funds were provided by the Federal Government under the LRSA program:

°Federal Funds	$1,018,000
°State of Michigan	1,238,900
°State of Indiana	50,200

The Hillsdale County Industrial Development Commission states that preservation of rail service has had substantial economic benefits. The U.S.R.A. had projected a $4.8 million loss in community income if rail service had been terminated. Industrial firms employing 930 people, with payrolls of $7.8 million, would have been forced to cut back operations, relocate facilities, or convert to more costly alternative transportation if rail service had not been available. Obviously, without the assistance of the federal funding from the Local Rail Service Assistance program, rail service would have terminated in 1976, with a devastating economic impact on Hillsdale County, Michigan, and surrounding counties.

In the four year period between April, 1976 and March, 1980, Hillsdale County Railway hauled 16,726 carloads, containing 887,000 tons of freight.

If this traffic had to be carried by truck, it would have required more than 44,000 loaded trucks, at significantly higher costs to the shippers. These trucks would have had to travel over rural streets and highways not designed for heavy truck traffic, many of which have winter weight restrictions that prevent their use by heavy trucks.

The railroad has increased its equipment fleet to meet customer needs, service has improved, and the company has regained the confidence of the shippers it serves.

In the summer of 1979, the Michigan South Central Power Agency, a consortium formed by five Southern Michigan communities, selected a site on the Hillsdale County Railway at Litchfield, Michigan, to construct a $95 million coal-fired electrical power plant. This plant, the largest new facility to be constructed on a rail branch line receiving Federal assistance, was located in Hillsdale County only because of assurances of continued rail service by Hillsdale County Railway.

The power agency will furnish electrical power to 15,000 customers and supply surplus power to investor-owned utilities in Michigan and Indiana.

Phase I of the project, with a capacity of 55 megawatts, is scheduled to go on stream in July, 1982. Phase II, with a capacity of an additional 50 megawatts, is scheduled for completion in 1984.

The plant will utilize approximately 150,000 tons of coal in its first year, increasing to over 300,000 tons by 1993. The increased revenues from hauling coal will enable the railroad to operate profitably -- without operating subsidies. To haul the coal, however, Hillsdale needs to acquire and modernize about 23 miles of rail trackage in Indiana and Ohio in order to maintain a connection with the coal-hauling carrier, which has filed an abandonment application for this line with the Interstate Commerce Commission. We have therefore applied for about $2 million in Federal and State loans and grants to finance this major capital expenditure. The Local Rail Service Assistance Act is the only realistic source of funding for this kind of project. Without the funding to acquire this line to haul coal, the new power plant will be left without any means of economically obtaining coal. The result will be higher transportation costs that will be passed on to consumers in the form of higher prices -- the very opposite effect of the intent of the President's program.

Presently, Hillsdale County has only a single rail outlet to the rest of the country, through an interchange with the ConRail system at Quincy, Michigan, which is at the end of a 44-mile ConRail branch line that connects with the mainline at White Pigeon, Michigan.

The White Pigeon-Quincy line has been identified by the U.S. Railway Association, and ConRail, as a probable candidate for abandonment. If it is abandoned, the Hillsdale County Railway will be "landlocked," a veritable "railroad island" in southern Michigan leading nowhere. Due to the deteriorated condition of this 44-mile branch line, ConRail has imposed a 10 MPH operating speed restriction, and has embargoed hazardous commodities on the line.

Hillsdale has had preliminary discussions with ConRail regarding the possible acquisition of this line, in order to maintain an outside rail link to Hillsdale County.

We estimate that the cost to acquire this line, and to rehabilitate it to permit train speeds of 25 MPH, will be approximately $4.4 million.

Such an expenditure is beyond our present financial capabilities. The availability of acquisition and modernization funds under the Local Rail Service Assistance program would permit Hillsdale to take over this line, and continue rail service to several counties which would otherwise lose all rail service.

Without such "front end" assistance for capital and rehabilitation projects, provided in part by the Local Rail Service Assistance program, Hillsdale Railway, and other small short lines like us, could not hope to acquire and rehabilitate additional track abandoned by other railroads. Without the ability to handle the coal for the power plant and the anticipated revenues, rail service to several communities would be eliminated. And without the ability to acquire and modernize the line ConRail wishes to abandon, Hillsdale's future would be in serious jeopardy. Grain and food shipped to customers in the east would have to be trucked, at higher costs to consumers. Increased costs could effectively put many of these local firms out of business or force them to relocate to other states or regions with a resulting significant local loss of jobs, taxes and community income.

Thus, the economic implications of losing rail service and the higher costs to the regional economy would be severe, and would not be cushioned by the so-called "social safety net" of other Federal programs.

For the communities served by the Hillsdale County Railway, and railroads like it, the Local Rail Service Assistance program is the "social safety net." Therefore, we urge the Congress to continue to fund the Local Rail Service Assistance program during fiscal year 1981 at its present appropriated level, especially in light of the anticipated changes in the ConRail system, by passing an impoundment resolution disapproving the President's deferral of this program. We also propose that the program be continued, in modified form, in the future.

In response to OMB's justification for phasing out the program, we want to emphasize the following points:

°Rail traffic generated on rural branchlines is generally interstate in nature, and affects the economic well-being of broad geographic areas. The trunk-line railroads which haul this traffic will lose much-needed revenue if essential lines are abandoned.

°The administrative procedures used to allocate and disburse funds should be stream-lined, to provide assistance promptly, to eligible rail lines, on a prioritized basis.

°Funds should be made available solely on a matching basis to assure that local support exists for such projects, with emphasis on funding acquisition and modernization projects.

°The entitlement formula should be revised to assure that funds are used to support essential operations, and to facilitate rail system restructuring. States without a branch line problem should not automatically receive funding from this program.

Many other communities in the northeast and midwest will be confronted with the problems similar to those that Hillsdale has confronted and is facing again, if ConRail is forced to cut back the size of its system. Communities in other regions will be affected by the abandonments of rail branch lines by other carriers. With a combination of Federal and local assistance, essential branch lines can be preserved and operated efficiently, without the need for government subsidies.

With some reasonable modifications, I believe the Local Rail Service Assistance program can fill an important role in meeting America's future rail transportation needs. A viable, efficient feeder rail network will contribute to the overall economic well-being of our national rail system, and the industries and communities which it serves.

I suggest that Congress consider the following strategies to assist in restructuring the ConRail system:

1. Take the necessary steps to preserve a viable core rail system in the northeast and midwest regions; ConRail's lines are essential to the operational integrity of the National Rail System.

2. Convey essential branch lines that are not included in this core system to local communities, shippers, and short line railroads for continued operation.
3. Continue the Local Rail Service Assistance program to provide necessary funds to acquire and modernize these branch lines to assure their long term viability.

I have attached some descriptive materials highlighting some of the accomplishments of Hillsdale County Railway and the benefits of retaining local rail freight services, and statements of rail users and community groups who support retention of the Local Rail Service Assistance program.

Thank you very much for the opportunity to be here today to tell our story.

AD HOC COMMITTEE TO PRESERVE FEDERALLY ASSISTED SHORT LINE RAILROADS

Kankakee, Beavervill & Southern Railroad
Michigan & Northern Railroad Co., Cadillac, Michigan
Michigan Interstate Railroad, Owosso, Michigan
West Virginia Railroad
Tuscola & Saginaw Bay Railroad, Vassar, Michigan
Detroit & Mackinac Railroad, Tawas City, Michigan
Indiana & Ohio Railroad, Brookville, Indiana
Greenberg & Western Railroad
Massachusetts & Central
Hillsdale Railroad, Hillsdale, Michigan
Lenawee County Railroad Co. Inc., Adrian, Michigan
Kent-Barry-Eaton Connecting Railway, Dutton, Michigan
LaSalle & Bureau County Railroad, LaSalle, Illinois
Madison Railroad, Madison, Indiana
Gettysburg Railroad, Gettyburg, Pennsylvania
Maryland & Delaware Railroad, Salisbury, Maryland
Wabash Valley Railroad, Decatur, Illinois
Wisconsin & Southern Railroad, North Brook, Illinois

March 31, 1981

Subcommittee on
Transportation
United States Senate
Committee on Appropriations
Washington, D.C. 20510

Dear Sir:

Your committee is considering the recision of the Local Rail Assistance Program of the United States Department of Transportation, at a time when there is an increasing demand for rail service by manufacturing, mining and agriculture. This proposed action needs careful consideration.

Hillsdale County, Michigan is served by the Hillsdale County Railway Company (HCRC), which was formed in 1975 after the collapse of the Penn Central system. The HCRC is one of six state supported railroads. Since beginning operations, more than 2.3 million dollars have been spent on upgrading the track for safer and more efficient service. The growth of rail use in the county has warranted these improvements. Many businesses have become dependent on the HCRC as their primary transportation source.

In the summer of 1982, the HCRC will begin transporting coal to the Michigan South Central Power Agency, a new 55 megawatt electric generating plant that will serve 5 communities.

The income realized from the power agency could remove the HCRC from Federal and State subsidies. This was the ultimate goal of both Federal and State plans when implemented.

The HCRC needs continued Federal support at a very critical time in their growth. Failure of the rail would have a devastating effect on both public and private projects. The millions of dollars already spent on improving the HCRC will have been totally wasted.

Michigan's unemployment problems can only worsen if rail service is curtailed to the state's power agencies, durable goods, and food industries.

A positive approach your committee should take is to help the Short Way Lines develop more business through existing customers and locating new business to expand on present rail sites. Increased tonnage and more efficient management can potentially make all this nation's rail systems profitable and un-subsidized.

Hillsdale County Railway Company should have continued Federal support to prove they can be successful.

Thank you for considering our views on your pending action.

Sincerely yours,

Ronald C Crater

Ronald C. Crater
Executive Director

March 31, 1981

Subcommittee on
Transportation
United States Senate
Committee on Appropriations
Washington, D.C. 20510

Gentlemen:

I am Bruce A. Sutherland, Vice President of DCA Company (101 East Bacon Street/Hillsdale, Michigan), and wish to go on record as requesting your august body to consider continuation of the Federal Local Rail Assistance Program.

DCA Company operates the oldest and one of the largest industries in Hillsdale--that being a flour mill and prepared bakery mix plant. The flour mill has been located on its present site since 1837, and has operated continuously as a market for agricultural products since that time. We are also the largest flour mill in Michigan and operate the largest donut mix plant in the United States.

DCA Company is highly dependent upon the rail transportation system both in and outbound--shipping out approximately 900 cars of flour, millfeeds, and prepared bakery mixes per annum.

We receive inbound a range from 850 to 1,250 cars; consisting of grain (primarily wheat), sugar, hard flours, soya flours, and a host of other ingredients on an annual basis. Therefore, one can readily see that the railroad is of vital importance to our operation at Hillsdale.

Over the 144 years of operation at this location, DCA and its predessors have been a vital factor in the marketing of agricultural products by farmers in the areas tributary to our mill, and if the railroads are allowed to continue to deteriorate (and indeed be abandoned), the economic impact on agriculture would be extremely severe--as a very stable and continuous market would no longer be available to the agricultural community. Commodities would necessarily have to be transported much greater distances thus the return would be diminished, and the resultant price of the finished product to the consumer, of course, raised.

You should know too that it takes one-quarter the amount of fuel to transport one ton for one mile via the railroad as it does utilizing over-the-road semis. Given the present economic conditions, it would appear to us that the Federal Local Rail Assistance Program funds would effect a greater return to the taxpayer and have a more favorable impact on the economy if they were expended to improve right of way to enable the tonnage to return to the railroad where it is hauled most efficiently.

There is essential need in rual communities for funds for rehabilitation and improvement of the right of way on the rail system to enable them to regain much of the lost tonnage now transported by truck. As mentioned, trucks consume more fuel on a 4 to 1 ration than railroads, inflicts more damage upon the highway system, and thus competes for a limited amount of funds available from the D.O.T. (State or Federal); and it would seem that the dollars should be spent where the return is greatest with the most favorable economic impact--and that seems to be to put the railroads back in the condition for operating efficiency, fuel conservation, and service.

DCA has an annual payroll in excess of $4 million and does business volume of approximately $55 million per year, and would find it most difficult to operate without a viable railroad facility. You can readily understand the resultant impact on the community (and needless to say on the employees of DCA) if we were forced to close down, sharply curtail our activities, or move them to another location in the event the railroad was no longer available to us.

Again, we state that there is an essential need in rehabilitation and improvement funds for rual railroads in general - and for the Hillsdale County Railway in particular - and we ask your favorable consideration of continuation of monies toward that end.

Respectfully submitted,

Bruce A. Sutherland
Vice President

March 31, 1981

Mr. Neil A. Doty, Sr.
Chairman, Steuben County
Railroad Committee
R. R. #2 Box 709
Fremont, IN 46737

Subcommittee on
Transportation
United States Senate
Committee on Appropriations
Washington, D.C. 20510

Dear Sir:

On behalf of the residents, business elements and industries of Steuben County in the State of Indiana, the Steuben County Railroad Committee requests that the Federal Government does not rescind the existing Rail Program for the years 1981 and 1982 and to provide for future assistance to those communities who are making use of these facilities and who are investing in their future.

Hillsdale Railroad has continued as a private operator, to service Steuben County. They are continually upgrading the system. With fuel prices steadily increasing the inquiries and rail use are also increasing.

At this very writing we have two industries ready to enter into an Inducement Resolution with our local E.D.C. to construct new plants in the town of Fremont. Both need rail use. Both for a coal fired boiler system and one to ship a by-product of cattle feed to the Port of Toledo.

Industry #1 -- 1,500,000 gallon anhydrous ethanol production facility with commercial greenhouse and fish production.

Industry #2 -- Manufacturing plant which converts solid waste into resaleable products. "A new process."

Every community in this area would feel the loss of rail service. To retain this service would induce new industry, new jobs, new tax base, and all facets of economic growth.

If this great country is to survive, then we must retain every service available to support the needs of its citizens.

Thank you for your time and consideration.

Sincerely yours,
Neil A. Doty, Sr.
Neil Doty, Sr., Chairman
Steuben County Rail Committee

STATEMENT BY RAYMOND R. CRISTELL, GENERAL MANAGER, MICHIGAN SOUTH CENTRAL POWER AGENCY

THE MICHIGAN SOUTH CENTRAL POWER AGENCY, LOCATED IN LITCHFIELD, MICHIGAN, IS PRESENTLY CONSTRUCTING A $55 MILLION, 55 MW COAL-FIRED ELECTRICAL GENERATING PLANT TO SERVE FIVE SOUTH CENTRAL MICHIGAN COMMUNITIES.

THE AGENCY SELECTED A SITE ON THE HILLSDALE COUNTY RAILWAY, A LOCALLY-OWNED AND MANAGED SHORT-LINE

RAILROAD, SERVING HILLSDALE AND BRANCH COUNTIES IN MICHIGAN, AND STEUBEN COUNTY, IN NORTHERN INDIANA.

THE AGENCY INTENDS TO PURCHASE ABOUT 160,000 TONS OF COAL PER YEAR, BEGINNING IN 1982, WHICH WILL BE TRANSPORTED BY RAIL. IN ADDITION, THE AGENCY WILL USE APPROXIMATELY 40,000 TON OF LIMESTONE PER YEAR, WHICH WILL ALSO BE TRANSPORTED BY RAIL.

IN ORDER FOR THE HILLSDALE RAILWAY TO ACQUIRE AND UPGRADE ITS RAIL FACILITIES TO ACCOMMODATE THIS NEW TONNAGE, ADDITIONAL CAPITAL FUNDS WILL BE REQUIRED.

THE AGENCY SUPPORTS THE CONTINUATION OF THE LOCAL RAIL ASSISTANCE PROGRAM, TO FUND ESSENTIAL RAIL PROJECTS, SUCH AS THE HILLSDALE COUNTY RAILWAY.

WITHOUT LOW-COST, DEPENDABLE RAIL SERVICE, THE AGENCY WOULD BE FORCED TO TRUCK COAL AND LIMESTONE MORE THAN TWO HUNDRED MILES, AT A SUBSTANTIAL COST PENALTY, WHICH WOULD BE PASSED ALONG TO CONSUMERS IN THE REGION THROUGH HIGHER ELECTRIC RATES.

WE REQUEST THAT CONGRESS NOT RESCIND THE PROGRAM IN FY 81, AND CONTINUE A MODIFIED PROGRAM IN THE FUTURE.

INTERCHANGE

HILLSDALE COUNTY RAILWAY COMPANY NEWSLETTER SPRING 1978

STEEL DRIVIN' MEN

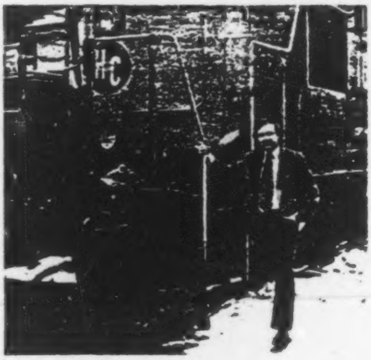
HCRC Enters Second Year of Rehab Program

On May 17, 1977, Congressman Dave Stockman drove the first spike in the major rehabilitation project undertaken by the HCRC. Armed with a grant of $903,000.00 from the State of Michigan, the railroad contracted to restore 41 miles of track in Michigan to Federal Railroad Administration (FRA) standards.

Most of the track mileage in Michigan and Indiana has suffered from 25 years of deferred maintenance by Penn Central. The accelerated track maintenance program, as the states refer to the rehab project, will restore the road and insure the safety and efficiency of operation.

As can be seen in the accompanying tables, additional work is planned in Michigan this summer, as well as a full-scale program for trackage in Indiana. September 21, 1977, the HCRC was awarded a $503,000.00 contract from the State of Indiana, under which the HCRC will upgrade nineteen miles of track.

When complete, the accelerated maintenance program will allow the HCRC to operate freight trains in full compliance with FRA track standards. John Marino, president of HCRC, summed up the impact of the project for shippers and the company. "Improved track conditions and operating speed should contribute to improved service and reduced maintenance and operating costs."



Welcome to the first edition of Hillsdale County Railway Company's quarterly newsletter, "Interchange."

We think a newsletter is an appropriate means for a progressive, forward-thinking, community-owned short line railroad to keep the public informed of transportation developments which affect our area. For those of you not familiar with the jargon of railroading, the term "interchange" refers to the exchange of freight cars between various railroads as shipments move through the national rail network. Thus, as railroads exchange cars between themselves in the normal course of business, we will exchange ideas and viewpoints upon new developments affecting rail services in Southern Michigan and Northen Indiana with you and other concerned businessmen and community leaders.

Many of our readers were present on that gray, overcast Thursday morning of April 1, 1976, when the HCRC launched a concept skeptics said wouldn't work. But two years later, Michigan's first new railroad in over 60 years is growing and expanding. We hope to share with our readers the pioneering spirit of Captain Moses Allen, Hillsdale's first settler, as we rebuild an essential local rail system.

— John Marino, President

ACCELERATED TRACK MAINTENANCE — MICHIGAN

Installed Ties	21,264
Installed Switch Ties	665
Installed Tie Plates	18,000
Installed Ballast	15,856 NT
Surfaced	30.5 miles of track
Repaired Switch Points	38
Cleared Brush	31.4 miles
Set Out 105# Rail	3.86 miles
Road Crossings Replaced	Bunn Road (Jonesville) Mighigan St. (Montgomery)

1978 PROJECTS

Installed Ties	5,000
Installed Ballast	5,000 NT
Surfaced	14 miles of track
Installed Rail	3.86 miles
Road Crossing Replacement	Oak St. (Hillsdale) Hillsdale St. (Hillsdale)

ACCELERATED TRACK MAINTENANCE — INDIANA

Installed Ties	12,240
Installed Switch Timber	550
Installed Tie Plates	10,000
Repaired Switch Points	33
Surfaced	19 miles of track
Cleared Brush	19 miles
Installed Ballast	10,000 NT

MORE THAN A RAILROAD

HCRC New County Business

Two years ago, the HCRC was hailed as a saviour for rail service to shippers in southern Michigan and northern Indiana. It was noted in the Hillsdale County Industrial Development Commission's Annual Report of 1975 that the retention of rail service would save hundreds of jobs and thousands of dollars for Hillsdale County.

One factor that was ignored at the time, however, was that the HCRC was really a new business for Hillsdale County. True, they were replacing Penn Central, but how many area retailers have seen Penn Central wages spent in their stores or sold their goods to the railroad? How many banks deposited Penn Central payroll checks?

The only real Penn Central presence felt by Hillsdale County residents was an occasional black Penn Central locomotive sitting in the rail yard.

The HCRC is a Hillsdale County based company with a philosophy to spend dollars locally. "We're trying to keep as much money in the community as possible," commented Chuck Turner, HCRC general manager.

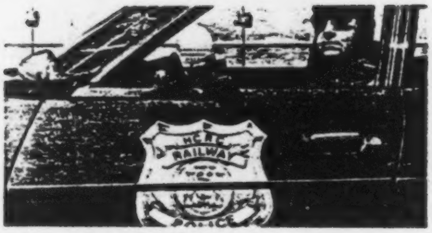
Retention of dollars for Hillsdale County includes a healthy payroll. "We hired 14 people at the onset," stated Turner. "Now we're up to 29. Our payroll is approximately $500,000 dollars annually."

Community businesses also see approximately $50,000.00 spent each year by the HCRC on goods and services.

Many railroads contract out a great deal of work such as maintenance and accounting. "We do our own work," Turner enthusiastically remarked, "from accounting to driving spikes on the rails." In this way, the HCRC is self-sufficient, as well as maintaining state subsidized dollars in the state and community.

While shippers have rejoiced about the new level of service, it is time to recognize that we do, indeed, have a new thriving business on Monroe Street.

— Bill Mears



Railroad Police Department to Assist Local Law Enforcement Agencies

Hillsdale County Railway recently established its own railroad police department, under authority from Governor Milliken of Michigan. Kirk McTaggart has been deputized as HCRC's police officer, and in that capacity will be working with State and local law enforcement agencies, as well as local fire departments, on programs to increase public awareness of the hazards of railroad crossings, and the dangers inherent in unlawful trespassing on and around railroad yards and equipment. McTaggart will also be responsible for safeguarding the company's equipment and material, and to protect rail freight shipments in transit.

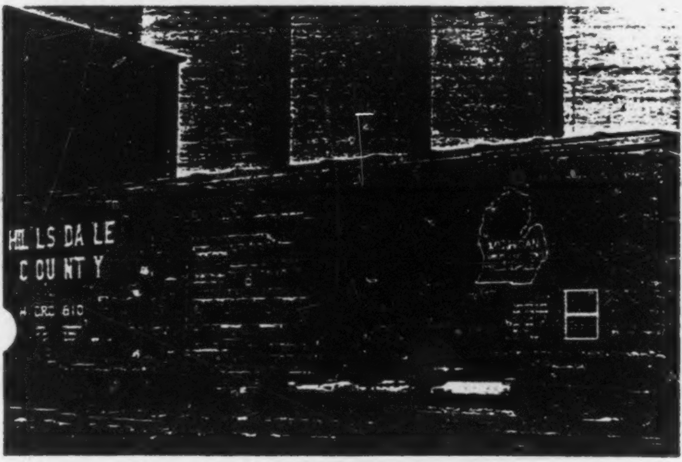
Anyone desiring more information on the railroad's safety program, or wishing assistance in matters involving the railroad, should call (517) 439-1434.

RAILROAD TO REBUILD GRADE CROSSINGS IN HILLSDALE

HCRC plans to rebuild the Hillsdale and Oak Street railroad crossings located in the city of Hillsdale during the coming months. After years of neglect and decay under the former owners, HCRC will install new, prefabricated crossings using composition panels manufactured by Goodyear Tire and Rubber. These new crossings will eliminate serious safety hazards to the hundreds of motorists using these crossings daily. They will also give the railway many years of maintenance-free service.

This project is another example of how a short line railroad can assist in solving public-spirited community problems.

Hillsdale's Equipment Fleet Expands



Hillsdale County Railway's freight car fleet reached a total of 106 units at the end of March, 1978. The increase includes ten forty-foot insulated boxcars and thirty-one fifty-foot "XM" general purpose cars. Thirty-five more cars are on order. The freight car fleet enables the HCRC to improve the availability of equipment and assist the railroad in attracting new business.

MARKETING STRATEGIES: STEPS TOWARD SOLVENCY

The HCRC trackage has not been the only thing that suffered from years of neglect. The marketing of rail services has been woefully ignored. There was actually a concerted effort by the former operators, Penn Central, to push rail shippers toward the use of other transportation modes.

"We had to create a change in the basic image of not only our branch lines, but the entire rail mode of transportation," commented Frank Macomber, vice president for marketing. "People kept saying, 'we gave up on rail years ago.' "

Armed with an operations budget that had no allowances for a sales and marketing staff, the HCRC began operations in April of 1975.

The marketing efforts initially made were operational in nature. "One of our first weapons in changing the rail image was providing excellent local rail service," stated Macomber. Some shippers have received unloaded box cars one evening, had them respotted, loaded and moved to the interchange with Conrail at Quincy, Michigan, the next day. With an increase in the service level, companies began to call the railroad to price rail shipment costs versus truck. The leasing of over 100 rail cars has provided additional help in improving shipper confidence. Now, when shipping by rail is cheaper, the railroad has an increased capability of providing the cars with which to ship.

Sharpening the pencil in the rail clerical area has provided a successful marketing technique. A short line's viability is heavily dependent on "divisions," the formulas used for calculating HCRC's income per car. When several roads handle a car, each gets a division of the revenue. By negotiating with the eastern railroads, the HCRC has derived an improved formula that increases HCRC's participation in revenue.

In an effort to speed up the process of competitive pricing, the HCRC has been able to publish some of their own tariffs. These tariffs can be altered at any time to capture new business.

MARKETING CHALLENGE AT A GLANCE

1. Penn Central established a policy of discouraging traffic on branch lines in Hillsdale and Steuben Counties by providing poor service and not having the availability of suitable rail cars.

2. Rail shippers were told that much of the track was unable to handle jumbo grain cars, therefore preventing shippers from taking advantage of lower volume freight rates.

3. All traffic headed east had to be routed 80 miles through Elkart and then east through Toledo, thus adding 2 to 3 days of additional transit time and increased car miles.

4. Industrial parks were developed without rail. Consequently new industries have limited facilities to utilize rail.

5. Michigan's highway regulations allow trucks to carry over 100,000 pounds of cargo which makes it difficult for railroads to compete for intrastate traffic with even high capacity cars.

6. Several shippers had acquired fleets of private trucks, making it difficult to shift traffic back to the rails.

7. Penn Central's bankruptcy resulted in the elimination of sales and customer service positions, depriving them of frequent contracts with the railroad.

The rail management team, while keeping an eye to improved operations, is planning for a stepped-up marketing program. The area of operations, however, has had a dramatic impact on marketing. The accelerated maintenance program that is discussed in this newsletter, for example, is making it possible to move the heaviest cars available, allowing the customer to qualify for the lowest rates.

Many short line railroad costs are fixed in nature. Additional carloads can be moved with very little increase in cost. Recognizing this, the marketing program is in the process of being expanded to contact potential new rail users. With more sales calls and assistance to shippers in analyzing their physical distribution logistics, HCRC will be able to show a company how rail service can logically fit into their corporate transportation plans and reduce overall costs.

Flexibility in marketing strategies will be realized by the future extension of HCRC's track south of Angola and east to Montpelier, Ohio. The expansion will provide a direct route to the east and a connection with a profitable trunkline railroad, the Norfolk and Western. HCRC management is hopeful that the expansion will be completed by early 1979.

While a sales and marketing program is fundamental to restoring shipper confidence in local rail services, the employees of HCRC realize that in a small company everyone must be a salesman, from the engineer to general manager.

HCRC
30 Monroe Street
Hillsdale, Michigan 49242

SNOW NO MATCH FOR CAPTAIN ALLEN

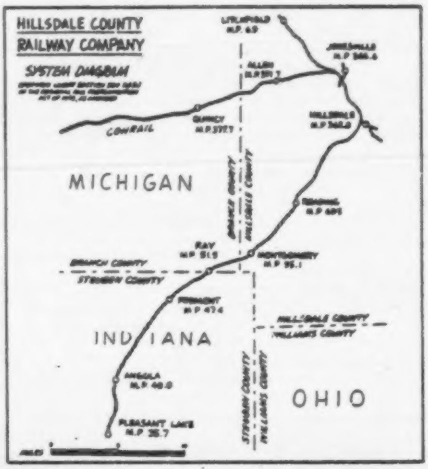
A number of people have purchased buttons and T shirts to help remind us that they survived the "Blizzard of 78." A small group of dedicated railroad employees will need no buttons to recall the snowy interlude of rail traffic.

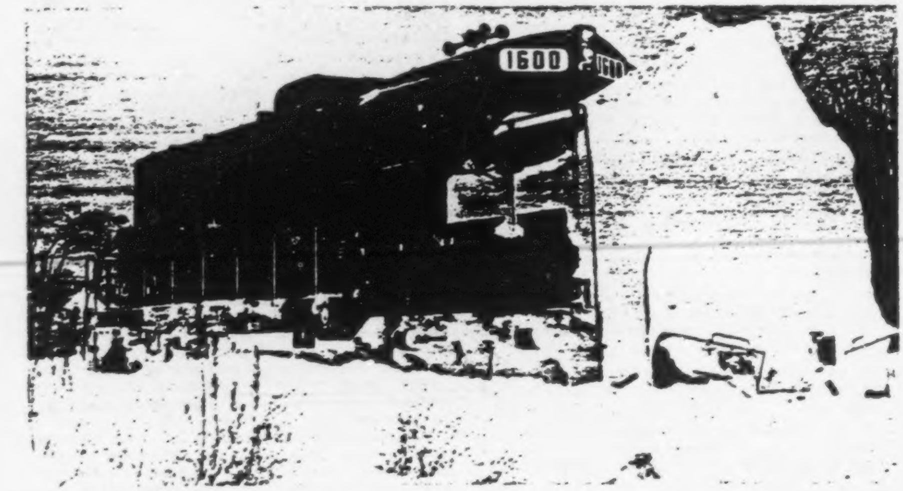
Crews made up of management personnel, clerical workers and hourly employees kept the main line to Quincy from Hillsdale open. "The HCRC never ceased operation," commented Vice-President and General Manager Chuck Turner. "We just kept the 1600 [the green and yellow engine known as Captain Moses Allen] moving over the rails."

The front of the 1600 acted as a snow plow. The big engine was later used to push through drifts six to eight feet deep. The deepest drifts were found near Card Road, north of Reading, and M 49, south of Reading.

Conrail, the nation's newly formed railroad, started operations much later than the HCRC. "We were there and ready," stated Turner. Unfortunately, the big railroads were not. It was one week to 10 days before good railroad service was available at the Quincy connection.

"You see," said Turner, "on big railroads no one cares. With smallness you can control things." While Turner and the HCRC cannot control the weather, they can certainly maintain a level of service second to none.


HILLSDALE COUNTY
RAILWAY COMPANY
SYSTEM DIAGRAM
CONRAIL
MICHIGAN
RAY
M.P 51.5
MONTGOMERY
M.P 55.1
BRANCH COUNTY
STEUBEN COUNTY
FREMONT
M.P 47.4
HILLSDALE COUNTY
WILLIAMS COUNTY
INDIANA
ANGOLA
M.P 40.0
PLEASANT LAKE
M.P 35.7
STEUBEN COUNTY
WILLIAMS COUNTY
OHIO



NATIONAL TRANSPORTATION WEEK: MAY 14-20

Around the bend

Hillsdale County railroad puffs harder for profits

By HOWARD WARREN
News Staff Writer

HILLSDALE — The Hillsdale County Railway may just turn out to be the little railroad that could.

Defying long odds, a collapsing railroad network and a physical plant politely described by an executive as "a wreck," the Hillsdale County line has in five years arrived at the verge of profitability and is looking at expansion.

Since its formation in 1975, the Hillsdale County Railway has been subsidized by the State Transportation Department, along with five other lines the state formed after the collapse of the giant Penn Central system.

Charles P. Turner, Hillsdale's vice-president and general manager, says that in 1975 "the light bulbs were burned out and the toilets didn't flush." He now claims that "if anybody's going to make it, this railroad will."

WHY HAS the Hillsdale line been able to turn things around? Several factors are involved, beside the obvious one that the railroad is run by local people vitally interested in drumming up local business.

All of the line's rolling stock is leased, which means that there is no capital investment. Owners of locomotives and freight cars pay the Hillsdale a management fee for collecting rentals from shippers, and the railroad collects the hauling fees.

Also, the Hillsdale is a nonunion operation, which frees it from the encrustations of ancient work rules which railroad officials say cripple efficiency.

Sales manager Rick Dunkle cites the blizzard of 1978, when the Hillsdale continued operating while Conrail shut down for seven days. "Chuck Turner ran the locomotive and I threw the switches," Dunkle says. "If we had had a union contract we wouldn't have been allowed to touch the equipment and if the crews couldn't get to work we would have been down."

BECAUSE THE Hillsdale trains are short — a maximum of 30 cars — two-man crews are used, rather than the four-men or five-man crews usually required under union contracts.

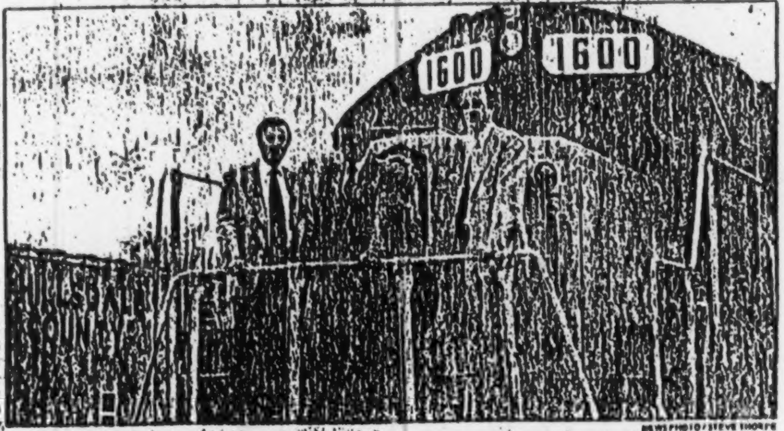
And salaries are lower — a dollar or two an hour for train crews, Dunkle says, and even lower for office staff. As a result, the Hillsdale's labor costs are 49 percent of total expenditures as compared to 55 percent or so for most railroads. That 6 percent is a vital factor in balancing the books, Dunkle says.

There has been little grumbling from the unions because of the loss of positions, Dunkle says. "We didn't take away their jobs. Their jobs were gone. We created new jobs."

Chuck McLain, an engineer on the Hillsdale's afternoon run to Quincy and a former engineer who began railroading with the New York Central, agrees. "We're just a little outfit," he says. "The unions aren't interested in 30 jobs, they're looking for 30,000."

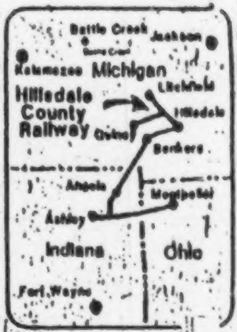
THE LINE was started as a result of the 1973 Regional Rail Reorganization Act designed to restructure the Penn Central and six other bankrupt railroads in the northeastern United States into what has become Conrail. As part of the reorganization, Conrail abandoned much of the Penn Central's low-traffic tracks.

Continued on Page 2

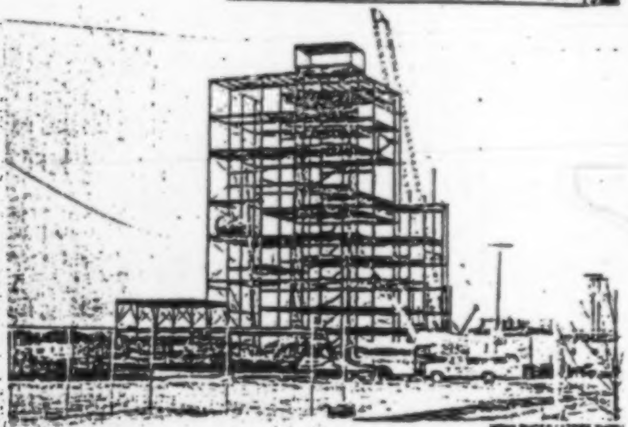


NEWS PHOTO/STEVE THORPE

Hillsdale County Railway's top executives: From left: John Marino, president; Charles O. Turner, vice-president and general manager, and Rick Dunkle, sales manager.



Hillsdale rail puffs for profits



NEWS PHOTO / STEVE [illegible]

The little Hillsdale railroad expects to carry 3,000 carloads of coal and limestone a year from Ohio mines to this power plant once it is completed and in operation in Litchfield. That would put the rail line, now hauling 3,500 carloads annually, above its yearly break-even point of 5,500 carloads.

Continued from Page 1B

However, the act provided that if states, local units of government or private companies decided that sections of the abandoned trackage were vital to area economies, subsidies would be provided in an effort to make those railroads profitable.

Out of that act arose the Hillsdale County line — 62 miles of track, three locomotives, 561 freight cars, 200 truck trailers, 400 steamship containers and 30 full-time employes.

The line runs from Litchfield on the north through Jonesville, Hillsdale, Bankers, Reading and Montgomery in Michigan to Fremont, Angola and Pleasant Lake in Indiana, with a spur line to Quincy where the Hillsdale connects with a west-bound Conrail line.

AN APPLICATION has been made to the Interstate Commerce Commission to take over a 26-mile stretch of Norfolk & Western track in Indiana and Ohio which would give it an outlet to the east.

The railroad was formed when shippers in the area, led by DCA Food Industries of Hillsdale, realized they would be seriously hampered by the loss of rail service.

A new corporation was established with the railroad's major shippers holding 51 percent of the stock. The starting capital was $220,000, with one-third provided by DCA, the nation's biggest miller of pastry flour.

For its money, the Hillsdale line got two locomotives, 55 leased freight cars and track in such bad shape that the maximum speed for its trains was eight miles an hour — if you felt like taking a chance.

In five years, the track has been upgraded to 20 mile-an-hour speeds at a cost of $2.3 million, the locomotives renovated and the freight car fleet expanded through lease agreements. The railroad has also become a trucking line, hauling freight from rail terminals to shippers in the area.

FROM FISCAL 1977 through fiscal 1980 the Hillsdale received $1.2 million in state subsidies to cover operating and maintenance deficits. The subsidy dropped $165,000 last year — unlike other subsidized lines in the state where subsidies have risen continually.

Dunkle says the railroad is hauling 3,500 carloads of freight a year. The line's break-even point is 5,500 carloads.

But that deficit will be made up in one stride when a 55-megawatt, coal-fired power plant, being built in Litchfield by the Michigan South Central Power Agency to provide electricity to the communitie of Hillsdale, Clinton, Marshall, Coldwater and Union City, goes on line.

The Hillsdale will carry 3,000 carloads of coal and limestone a year into the plan from mines in southeastern Ohio beginning in mid-1982.

A major factor in site selection for the plant was accessibility to a rail line, and Hillsdale President John Marino says tha when Litchfield was chosen in the fall o 1978 he was convinced that the railro would become profitable.

AND FOR MARINO, getting off state subsi dy can't come too soon. Although he con cedes that without the subsidy the railroa would never have made it, Marino say: "It's so frustrating working with govern ment. It can take you six months just to ge clearance to lease a piece of equipment."

As for railroading's future, Dunkle an Marino expect rapid growth in intermoda facilities — putting truck trailers on fla cars, shipping them across country by ra and then dropping them off for deliver by truck. Such a system can both reduc fuel consumption and be faster if freigh cars are properly routed on well-maintain ed trunk lines, they say.

And how about Hillsdale's prospects Will the railroad be satisfied simply t break even because it now provides th service to area shippers for which it wa formed?

Definitely not, says Dunkle. "I'm a stock holder, and if I didn't think this railroa could make a profit I wouldn't be workin here."

STATEMENT OF FATHER WILLIAM L. GEORGE, S.J., GEORGETOWN UNIVERSITY

Senator ANDREWS. Our next witness is from Georgetown University, Father George.

You and I have been together many times, Father George, with Congressman Slack and John Rooney way before that.

We welcome you.

Father GEORGE. That was Father Collins.

Senator ANDREWS. I think he kind of took care of it when it was Congressman Rooney.

Father GEORGE. Yes; he taught me well to be very brief.

Senator ANDREWS. I'm sure that's true, and Chairman Rooney taught me about running a committee some 16 years ago. I haven't forgotten some of the lessons he imparted to me way back when.

It's a privilege to have you here, Father, and I'm looking forward to hearing your statement.

Father GEORGE. Mr. Chairman, I am Father William George, special assistant to the president of Georgetown, and I will be very brief. Hopefully you will get some chance to enjoy this beautiful spring day.

Last year the Senate provided funds in its bill for the project at Georgetown University on Canal Road, but a hold was put on it in conference pending letter approval by the committees.

I would request that your committee consider providing the funds, estimated at about $2.7 million in the supplemental bill. The project is a result of a study initiated by Congress and done in cooperation with the District of Columbia government, local council governments, and the university.

A major purpose of the project is to stimulate the strong industrial base through significant economies and innovative transportation and energy technologies and techniques, and also strategies to increase ridership in urban mass transit.

I thank the committee for its past interest and consideration, and I appreciate the opportunity to testify.

Senator ANDREWS. I appreciate your candor, and you have made an excellent statement.

Let me ask one question that occurred to me the other night, as I watched that most competent and most Irish doctor explain what George Washington University had done to the three individuals they were treating. I wondered how you let a competent Irishman like that slip over to the other side, one; and two, why didn't you manage to direct those ambulances to Georgetown University Hospital, so you could have been in the national spotlight. It was very untypical. [Laughter.]

Father GEORGE. Well, we have to spread the wealth. You know, the Irish are all over, and as he said, that day everybody was a Republican. But actually if we finished the project, then we'd have ambulances coming closer to Georgetown. [Laughter.]

Senator ANDREWS. Thank you for your appearance, Father. I appreciate your being here. It's good to see you again.

Father GEORGE. Thank you, Mr. Chairman.

[The statement follows:]

JOINT STATEMENT OF FATHER T. BYRON COLLINS, S.J., AND FATHER WILLIAM L. GEORGE, S.J.

Mr. Chairman and Members of this Committee, we are Fathers T. Byron Collins, S.J. and William L. George, S.J., Special Assistants to the President of Georgetown University.

Georgetown University intends to apply for a grant of $2,200,000 under UMTA's Research, Development and Demonstrations and University Research and Training Program. The purpose of the application is to initiate a national demonstration project for urban areas and university communities which would implement transportation/energy conservation advantages through the use of innovative technology and construction techniques. The project would thus stimulate a strong industrial base by improving productivity and reducing costs.

Would your committee consider these funds as part of the FY'81 supplemental appropriations bill. These funds were referred to in last years' Transportation Appropriations Senate and Conference Reports. Our need is urgent. Delay would jeopardize essential medical center and campus projects as well as cost much more. The city plans to renovate Canal Road in the Spring, and if both projects can be done simultaneously, a substantial portion can be saved.

The focus of the proposed demonstration project is a Multi-Modal Transportation Center and a parking structure housing electrical energy production and thermal storage. The project would be a national exemplar for providing reliable transportation services and strategically improving the energy efficiency of an urban community.

Georgetown University proposes to develop a Multi-Modal Transportation Center located at the Georgetown University southern entrance off Canal Road. The Transportation Center would include a garage which would be in a multiple-use structure which would contain electrical energy production and thermal storage below the parking levels and recreation fields on the roof of the structure.

The Transportation Center would serve the Georgetown University Transportation Society (GUTS) bus operation which presently interfaces with the Foggy Bottom and Rosslyn Metrorail stations and other public transportation routes. The Center would also serve as an intermodal transfer point both for passengers transferring among the WMATA (Metrobus) and/or GUTS and passengers transferring to an intra-University transit system. The proposed structure would be designed to accommodate whatever form of transportation the D.C. Department of Transportation decides to use to service the Fort Lincoln and Glen Echo areas.

The energy system, a co-generator and/or central system utilizing coal and renewables, can be the support system for light rail systems or electrical buses. In addition, the co-generator could supply energy for signalization and highway lighting.

At the present time, Georgetown University represents approximately one-third of the total Georgetown population and employment. The 8,387 students, 3,834 staff members, and 828 faculty members represent a total university population of 13,049. The total number of non-University residents in Georgetown is estimated to be 12,700, and total non-University Georgetown employment is estimated to be 13,800. An urban community the size of Georgetown University would be an excellent national pilot demonstration area for a Transportation Center incorporating innovative technology and construction techniques.

The University will provide badly-needed short-term parking for shoppers or visitors to the Georgetown area, as suggested by the District of Columbia Department of Transportation. An important phase of the project would be allowing the public to use a percentage of parking spaces at the proposed center (if they were transferring to another mode at the Transportation Center). The large increases in development in the Georgetown area are expected to result in over a 40 percent increase in total Georgetown trip generation between 1979 and 1985.

DCDOT, COG, UMTA, and Georgetown University have cooperated in the analysis of the transportation problems of the Georgetown area. The Georgetown solutions are ready to implement and will be designed to demonstrate transportation and energy conservation joint strategies and management of major urban university impacts on city traffic as a model for the 2,000 other urban colleges and universities. The proposed project will demonstrate solutions which benefit both University and urban transportation/energy-related problems.

The Multi-Modal Transportation Center Demonstration Project would link the urban community and University through a transportation/energy system. The expected result would be improved transportation services and the provision of reliable cost stable energy for the University and a portion of the surrounding community. (Attached is the legislative background concerning the Georgetown University transportation studies.)

Based upon the recommendations of the study directed by the District of Columbia Department of Transportation, we are requesting the initial funding for the following:

- Feasibility definition and schematic design documents for a Multi-Modal Transportation Center.
- Development drawings for an energy-producing (electricity) replacement parking facility for community and University utilization. The design will consider electric-vehicle re-charge, signal maintenance at four-way turn for the District of Columbia (as a District requirement and system), intra-transit energy needs, and other alternatives dealing in addition with feeder intermodal sub-system. It will design, ready for implementation, an electrical energy-producing system for transportation.
- Alternatives to Metro rapid rail system and interfacing with current community and transit authority planning/implementation.
- Implementation of four-way (at grade) signalized turning systems on Canal Road, per legally-approved campus plan designed to be compatible with a multi-modal system, per approved consultants feasibility study of Council of Governments and District of Columbia Department of Transportation, and implementation of a limited access emergency vehicle road way which can also be used as a base for an intra-transportation system.

On behalf of our President, Rev. Timothy S. Healy, S.J., we are grateful for the opportunity to testify before this Committee. We would like to ask that our testimony be submitted for the record.

EXCERPT FROM REPORT BY JHK & ASSOCIATES

JUSTIFICATION FOR PROVIDING FULL ACCESS AT THE CANAL ROAD ENTRANCE

At the present time, Georgetown University is the single largest traffic generator in the Georgetown area and represents approximately one-third of the total Georgetown population and employment. The 8,387 students, 3,834 staff members, and 828 faculty members represent a total University population of 13,049. The total number of non-University residents in Georgetown is estimated to be 12,700, and total non-University Georgetown employment is estimated to be 13,800. A traffic generator the size of Georgetown University should logically have its major access points along arterial streets which are designed to carry large volumes of traffic. Yet, at the present time, 82 percent of the traffic accessing the East and Main Campus of the University does so by traversing local neighborhood streets in Georgetown. Included in this traffic is a a large number of delivery trucks and GUTS buses. It would be desirable to remove as much of this traffic as possible from local residential streets and put it instead on arterial streets, whose main purpose is to carry large volumes of traffic. Although present plans do not call for significant increases in traffic generated by the University, truck traffic will increase somewhat with the addition of 12 large coal trucks and 1 large lime truck making deliveries to the new Atmospheric Fluidized Bed (AFB) Power Plant. The most direct access point for these truck deliveries would be through the Canal Road entrance. However, at the present time, the trucks (as well as other traffic utilizing the Southern Entrance for both access and egress) must circle around the perimeter of the campus on local Georgetown streets to either enter or leave via the Southern Entrance.

GUTS buses (as well as other Key Bridge traffic) to and from Virginia presently use local Georgetown streets to the east of campus and contribute to the critical turning volumes at the intersection of M Street and Key Bridge. Significant delays are encountered both at this intersection and in making the circuitous route through the Georgetown streets east of campus. A primary objective of the University is to provide a high level of transit service between the University and Metrorail in order to induce more persons accessing the University to switch to transit. By permitting GUTS buses from Virginia to access the University via the Southern Entrance, substantial transit travel time savings to the Rosslyn Metrorail station and other points in Virginia would be experienced, thus significantly improving the efficiency of the GUTS system.

Upgrading the Canal Road entrance to the University could also offer the potential for significantly improving emergency vehicle access to the Georgetown University Medical Center. Ambulances responding to accidents along the Canal Road Corridor presently take victims to George Washington University Medical Center rather than the closer Georgetown University Medical Center because quick access cannot be made to the Georgetown University Medical Center.

STATEMENTS OF:

ROY L. FERGUSON, ADVISER TO THE SENIOR VICE PRESIDENT, VOUGHT CORP.

KEITH KAHLE, ADVISOR TO THE SENIOR VICE PRESIDENT, VOUGHT CORP.

DEAN JOSEPH HOGAN, NOTRE DAME UNIVERSITY

EDWARD W. JERGER, ASSOCIATE DEAN, COLLEGE OF ENGINEERING, NOTRE DAME UNIVERSITY

WILLIAM B. BERRY, ASSISTANT DEAN FOR RESEARCH AND SPECIAL PROJECTS, NOTRE DAME UNIVERSITY

RICHARD C. OLSON, SPECIAL ASSISTANT TO THE MAJORITY LEADER, U.S. HOUSE OF REPRESENTATIVES

Senator ANDREWS. Our next witness is Mr. Roy Ferguson and Dr. Joseph Hogan, and the group from Notre Dame University, as well. Gosh, we've really got the Irish here today.

We have a young fellow from my hometown by the name of Sichy who's been playing on the Notre Dame football team. He did pretty well in his first game as a freshman. That was about 3 years ago.

Mr. FERGUSON. He did very well in his first game last season, but the first tackle put him out.

Senator ANDREWS. He's had a few problems, but he's a good young man and comes from a fantastic family back home.

Welcome to the subcommittee.

Mr. FERGUSON. We are going to let Congressman Wright's office lead off, if we may.

Senator ANDREWS. I think that's fitting and proper. Glad to have you over on this side.

Mr. OLSON. I might begin by reminding the chairman that I'm from North Dakota. [Laughter.]

Mr. Chairman, I am here on behalf of Jim Wright, the majority leader of the House, who had hoped to be here this morning.

Senator ANDREWS. It shows you what competent leadership we have in the House. They seized upon North Dakota talent to help run those offices.

Mr. OLSON. Thank you, sir.

The leader asked me to appear with this group this morning and indicate his support for the requests that they are going to make.

I would like to ask that his prepared statement be entered in the record.

Senator ANDREWS. All of the statements will appear in full.

Mr. OLSON. Thank you. I will merely summarize by saying that Mr. Wright supports the proposal which is being made to obtain funding for this program from fiscal 1981 funds.

With me are Dr. Joe Hogan, the dean of the school of engineering of Notre Dame; Dr. Bill Berry, assistant dean for research and special projects at Notre Dame; Dr. Edward Jerger, associate dean of the college of engineering of Notre Dame; Mr. Roy Ferguson, director of ground transportation for the Vought Corp.; and Mr. Keith Kahle of Fort Worth, an adviser to the senior vice president of Vought Corp.

I will let them continue.

Mr. HOGAN. Senator Andrews. I would just like to comment that I just started my career at a different UND, the University of North Dakota.

Senator ANDREWS. That's not a bad spot. I have a daughter that's going there right now, as a matter of fact.

Mr. HOGAN. In the interest of time, I will summarize the written comments.

This statement represents a summary of the status of research and development progress on cold weather technology. The principal goal of the program is to significantly increase transportation system reliability and operation under ice and snow conditions.

Progress to date includes the testing of weather hardening equipment, vent scale tests, advanced technology systems, and first scale-up to full system configuration tests of radiofrequency deicing technology.

This statement focuses on the release of funds appropriated for fiscal year 1981 to continue the research and development, including full scale testing.

The initial project grant through UMTA is titled "Cold Weather Transit Technology Program." The basic research and development funds under the initial grant will be expended in May 1981.

The fiscal year 1981 appropriated continuation funds will permit the work to continue for another year. The delays in receiving the continuation of grant funds have postponed significant portions of the work under this program more than 6 months.

I'm sure you're delighted to know that we do not request funds from the fiscal year 1982 budget, but rather request the committee's assistance in the release of the fiscal year appropriation in order that further progress can be demonstrated before requesting additional continuation of funding.

We have investigated a number of research areas, and a number of these showed great promise, and they are commented on in the statement.

I'd like to pass on to Roy Ferguson of the Vought Co.

Mr. FERGUSON. Mr. Chairman, it's Vought's task to take the interesting technologies from Notre Dame laboratories and engineer and test them in a full-scale environment. The problem in the transit industry which we are attacking are those that deal with unique technology uses to defeat ice and snow from the vehicle to its interfaces, or its interface to powers or to treadway or guideway surfaces on which it runs.

Additionally, we are hardening the weather vehicles themselves to take care of the ice which occurs on electric powers, et cetera.

I refer you to pages 4, 5, and 6 of Vought's testimony or Vought's statement for the work accomplished in the first 12 months.

Now our problem is this: Although we have done component testing, in any prudent research and development program, one must go from components and put them all together, if you will, into a prototype vehicle. The fiscal year 1980 funding will not take us to that point; fiscal year 1981 will.

Those moneys were appropriated by both Houses of Congress and signed in the President's bill. Our problem is that over 6 months has elapsed in release of those moneys from UMTA.

If this committee will support the continuation of this program and get those moneys released, we will skip fiscal year 1982 requests, because the 1981 moneys now are so far into the budget. And then on successful testing in a full-scale environment, we will come back to you for fiscal year 1983 continuation.

Senator ANDREWS. Well, I appreciate your appearance here. Last year's budget item for this type of research was some $65 million. The Reagan administration proposes to spend $70 million for this type of research in its budget, so this is not one of the areas that has been cut, because the administration obviously sees the merit in this type of research. Why the funds are held up, I don't know. We too have some problems getting decisions out of the Department of Transportation.

Fargo-Moorhead has a fleet of buses that are on order and about to be built and, of course, the question is whether we are compelled to put the wheelchair lifts in those buses. Dick knows, I'm sure, from your study of this kind of weather, that those people who are handicapped don't use handicapped buses in Fargo, N. Dak., because you can't role a wheelchair down sidewalks that are covered with snow and with a 72°-below windchill factor to get to the bus stop. You pick people up in that situation in vans.

We can't get a decision out of DOT on that, either, so I can offer you sympathy, but I can also give you some information, that the clerk tells me there is no cut in this program. In fact, there is a modest increase which would indicate the administration is supporting it.

What have you found out when you questioned why the money hasn't been available?

Mr. FERGUSON. The first year's money was 6 months in coming to the contractor's and Vought, at least, in an attempt to maintain schedule, put $350,000 worth of risk money in this program.

Now we have since recovered some of it, but the net effect of these 2 years has resulted in 18 months, with a 12-month delay, due to getting funding approved.

Now we have a statement of work in UMTA. We have fulfilled all of the obligations of minority business, all of the requirements one must do to get a grant approved. We have indications that this program is not being considered, but only an indication, for the 1981 funding; hence our appearance before you for your support.

Senator ANDREWS. It looks like there are some third-echelon people who are behaving as though it was still a couple of years ago, but you've got one of the best operators in the business in Dick. He'll find a way to cut through their redtape.

Let me assure you that your remarks and your testimony will be most helpful to us as we structure the funding for next year, and I am sure that with the majority interested in the House, that the House committee will come through with a good solid recommendation for this program, and we'll then act on it when it comes.

Thank you very much.

[The statements follow:]

STATEMENT OF ROY L. FERGUSON

We thank you for this opportunity to speak in behalf of the Cold Weather Transit Technology program. My name is Roy L. Ferguson. I am the Director of Ground Transportation of the Vought Corporation in Dallas, Texas and am responsible for all of our ground transportation related activities. Vought is a principal subsidiary of the LTV Corporation. Accompanying me today is Keith Kahle (who most of you know), a full-time advisor to the Senior Vice President and ~~one of~~ the originators of the Cold Weather R&D program.

Mr. Chairman and Members of the Committee:

We would like to refresh your memory in regard to this program which was originally proposed to you in 1979. At that time we proposed specific suggestions and guidance in regard to the utilization of advanced technology to reduce the transit problems created by the ice and snow of severe winter weather which affects one-fourth to one-third of our nation each year. What was proposed is a technological attack on ice and snow using advanced techniques like the radiated energy of laser, RF induction heating, and microwaves; ice retardant surfaces; flexible treadways, and other concepts which individually or in combination would prevent or break the ice bond to facilitate ice control and snow removal in a more effective manner than by heat, sanding, salting and shoveling.

The academic skill of the University of Notre Dame, plus Vought's advanced technology and experience in designing, building and operating people mover systems, made it possible to activate an effort which, if even partially successful, could have a major and desirable impact on large areas of our nation during winter months.

Mr. Chairman:

The program, as outlined to the committee in 1979, was estimated as a $20 million four year effort excluding parallel development of a proposed national research center for ice control and snow removal at a northern "clime" location. The FY-80 funding which was proposed in 1979 provided $5 million for the Cold Weather Transit Technology program and $500,000 for initial planning and engineering of a research center. The original program was eventually passed by the Congress and signed by the President, and both we and Notre Dame are currently engaged in experimentation as a result of the FY-80 funding.

Again last year we appeared before this committee and requested FY-81 second year funding in the amount of $5.0 million for the technology effort and $500,000 for continued planning of the national test center. Although the FY-81 money was appropriated by both houses of the Congress, and subsequently signed by the President, these funds have not yet been released to us by the Urban Mass Transportation Administration. The first year's funding required six months of processing following the approval of Congress before it was released and the 1981 funding has again taken six months with no known expected time for its release. This situation exists in spite of the fact that the report of the House Subcommittee on Appropriations specifically stated:

> "The Committee is concerned that it took UMTA six months to get this program under way during fiscal year 1980 and would expect Phase II to proceed more expeditiously."

The net effect of this slow funding release has resulted in a 12 month slide in the program during the 18 months since it was first approved. Necessarily, this requires program re-orientation and schedule changes; however, the objective remains as originally justified.

The program, as originally presented to this committee, contained five distinct and separate parts. Part I contained advanced countermeasure development. This phase envisioned the use of lasers, RF induction heating, microwaves and icephobics usage alone, or in combination to break the bond of ice to either steel or concrete surfaces.

This breakthrough is required in order to resolve the problems of transmission of power and control signals to the transit vehicles, and hopefully can reduce traction problems.

Part II was the cold weather hardening of the vehicles themselves. Electric powered vehicles are plagued with ice and snow ingestion to electric motors and motor controllers, severe icing of the under carriage, shorting of compressors, deactivation of reversing mechanisms, and failure of brake controls and transformer rectifiers.

Part III involved the interface of the vehicle to its running surface and switch mechanisms. Loss of traction or freezing of switch machines will render the system inoperable.

The proof-of-principle testing of all three of these component test phases can only be ascertained through full-scale prototype testing in either the Cold Weather environment chamber at Eglin Air Force Base, or in actual outdoor conditions (Part IV). Once these demonstrations prove successful, we can then enter Part V which is the development of a full-scale operational ice and snow removal machine.

The program, as originally presented to the committee, was justified as "a hardware research and development program." In little over one year since the initial funds were released, we have in the advanced countermeasure area (Part I):

- Conducted four varying power laser tests against ice on rails in three different rail configurations with some success.
- Tested RF induction heating in both the Notre Dame labs and on Vought's 18 foot continuous rail rotating drum with successful results up to over two miles per hour.
- Designed and installed microwave equipment at Notre Dame which is now ready for testing.

In the area of vehicle component hardening, Part II test work has been conducted in the Vought environmental chamber and solutions found for:

- Ice ingestion into electrical motors and motor controllers.
- Accumulation of ice on AGT switch and guide wheel assemblies (over two inches of ice have been defeated during testing).
- Equipment malfunctions resulting from ice in wheel wells, reverse mechanisms, air conditioning systems, brake controls, transformer - rectifiers, etc. A new design for power collection has been manufactured and will soon enter testing to overcome the problems of ice accumulation and freeze-up.

In the area of vehicle to guideway interface (Part III):

- Three different rubber compositions have been tested for providing a flexible treadway for rubber tire vehicles and we now have successfully demonstrated ice break up and separation of ice from the treadway surface so that it can be easily swept away.
- A complete switch assembly, including a standard railroad switch machine, is now constructed and is ready for environmental testing.
- And lastly, a new guideway design has been completely engineered to take into account all of the above features for easy ice and snow removal. This guideway is sectionized, transportable and can be used in either the Eglin Chamber or full environmental testing at an outdoor test site. The design of this guideway is complete and it could be constructed immediately.

We have, in the short span of this program life, come a long way in component testing. Components alone can never be the final answer until all are demonstrated together full-scale and in a full severe weather environment (Part IV). The FY-80 money will continue the component testing but will not allow for full-scale testing.

Even though we are at that time in the program's life where maximum hardware testing can be obtained for minimum funding, so much time has been lost through the bureaucracy of getting funding released to the contractors, we have in effect lost one year.

Due to this situation, we are not requesting FY-82 funds but instead request that you release the FY-81 funding that was approved last year. These FY-81 funds will complete our current component testing and provide for full-scale prototype proof-of-principle testing (Part IV). If this can be accomplished, this 1981 funding will produce a level of confidence for FY-83 expenditures for a completely redesigned and manufactured snow and ice removal vehicle which can be tested as a single entity under full ice and snow operational conditions (Part V). Additionally, we ask that the 1981 funding of $500,000 currently contained in the approved budget as minimum planning for the national cold weather test center also be expedited as it was approved by this committee last year and subsequently approved through both houses and signed by the President.

We urge you to give full consideration to the release of funding for this research and development program. Admittedly, it is a high risk endeavor; however, the results of a successful program could be equally as high if we reach the solutions to the problems we are attacking.

In the interest of the above testimony and in the saving of the committee's time, we are attaching a more technical testimony to this statement which will more explicitly show you the results obtained so far.

We thank you for this opportunity to address this Subcommittee, and we appreciate the interest of each of you and your able staffers.

STATEMENT OF DR. JOSEPH C. HOGAN

We are pleased to have the opportunity to appear before the Subcommittee. Our appearance has a twofold purpose. We wish to report our progress on research and development of Cold Weather Transit Technology; and to request the committee's assistance in obtaining the release of funds already appropriated in order that we may proceed with dispatch in implementation of the next phase of the effort.

Current Funding Status:

The initial program was proposed as a four year research and development effort. Congress appropriated first year funding through the Urban Mass Transportation Administration in FY-80. Work began after a modest delay. The university fiscal policy is quite conservative and would only permit necessary long lead time expenditures and commitments, inspite of a letter of no prejudice. The contract issued in March, 1980. This initiating funding for research and development will be expended in May 1981.

Congress appropriated continuation funding in October of 1980. The application for these funds was made in early December in order to begin long lead time preparations for testing in the summer of 1981. Deadlines for contractual commitments in February required that the reservations for those tests be cancelled and that phase of the work be placed in abeyance. To our knowledge all criteria necessary for the evaluation of the application have been satisfied. These delays in approval of the application have imposed delays in work progress of at least six months. If the application approvals had progressed on time, we would have made sufficient technological progress to justify a request for an appropriation of third year funding. However, we think it best to request the committee's assistance in the release of funds already appropriated. These funds will permit significant further demonstration of research and development progress before we report to the committee next year.

Current Status of the Technology Program:

Mr. Chairman, we have been pleased with the action of the Congress which enabled us to begin the work. Our country needs to continue emphasis on research and development which has as a principal goal the easing of the strain which winter weather imposes on two thirds of this nation's people. By fostering innovative applications of technology to transportation through the close cooperation between the industry and university, Congress accomplishes both the goal of solving a difficult problem and the goal of bringing two diverse talents together to focus on the problem.

This program was originally proposed as a four year program. That basic program concept remains despite the pressures of inflation. Briefly, the four year program includes the following seven research and development activities:

1. Basic studies to evaluate technology areas which show technological application promise for development.
2. Half-scale vehicle studies to expand the scale of data relative to potential application.
3. Weather hardening equipment/components evaluation testing to provide the best operational vehicle under moderate ice and snow conditions.
4. Full scale weather hardened vehicle tests.
5. Research and development on advanced technologies such as lasers, r-f systems, microwave systems, and ultrasonic systems.
6. Development of a special advanced technology ice and snow removal vehicle, which would also be capable of carrying advanced technology systems, for use in more severe ice and snow climates.
7. Development of engineering design criteria for a cold weather transit technology research and development center.

The approach to the research and development focuses on the problem areas where technological breakthroughs are most necessary. Solutions for these three problems areas address the basic problems encountered by transit systems, especially electric drive vehicle systems. The three basic problem areas involve:

1. Sustaining electrical contact for both electrical power and communication signal transmission between the vehicle and the power and communication systems.
2. Operational assurance of vehicle subsystem parts and components under ice and snow operating conditions.
3. Maintenance of the traction interface between the vehicle and the surface on which it travels.

The seven research and development activities relate directly to the process of developing solutions for specific technological problems which arise in the three basic problem areas. For example, electric power is transferred to the vehicle through a brush in contact with an electric rail. If frost, ice or snow has accumulated on the rail, the flow of power is interrupted and the vehicle stops. The problem area is one of maintaining the power rail ice and snow free, at least when the vehicle is present. Solutions may include continuous heating or heating just before the vehicle passes. Basic studies are necessary to match the technological solution to the system and the ice or snow-rail interface with the objective of maintaining economy. The progressive development of these solutions include individual part qualification, sub-system test and, finally, test on the full-scale vehicle itself.

Progress to date includes the nine basic tasks for which data is being gathered to support the hardware development tasks. These nine basic tasks are undertaken by Notre Dame in support of the engineering research and development tasks by the principle contractor, the Vought Corporation; and they include:

- ice formation phenomena data for development of detection devices and operational strategies,
- determination of the basic properties of the ice/surface interface properties,
- ice and snow traction data for rubber tires and steel wheels,
- power and signal transmission between the vehicle and guideway under frost, ice and snow conditions,
- countermeasures to destroy the ice and snow bond at the interface with the substrate,
- countermeasures to fracture ice and snow bonded to rails and treadway surfaces,
- effects of countermeasures on treadways,
- investigation of ice and snow tolerant treadways,
- transitway designs to minimize ice and snow effects on operation.

These activities are in support of the development of countermeasures, both active and passive. The support activities identify the fundamental properties of the materials which can be exploited, determine the combinations of countermeasures which will be most effective, and review the human and environmental interfaces to ensure health and safety.

Progress on active countermeasures development includes laser, r-f, and microwave systems. Passive countermeasures include icephobic coatings. Development include fundamental phenomena identification, proof of concept tests, bench scale testing, first scale-up system tests and full scale vehicle adoptation and testing. The following describes progress and current status for each of the three systems listed above.

Laser Studies

Three basic studies have been conducted as proof of concept tests. These include use of a pulsed output laser (1-10x10^{17}watts/sq.cm) on loan from the U.S. Air Force, test with the Vought Corporation 100 watt continuous output laser tests using a Bendix Corporation 600 watt continuous output laser and test using a Cabot Corporation 1250 watt continuous output laser. The last three test were successful in melting ice from a steel rail. The first test cracked ice, but did not dislodge it from the surface. It must be emphasized that these tests were successful proof of concept tests. The designs were not optimized for absorption, anti-reflection or for better total utilization of system energy. Lasers are inherently inefficient devices, but the total system design study must be completed to weigh both costs and benefits.

R-F System Studies

These studies are the most promising to date. Materials evaluation has evolved a different power rail material which enhances r-f energy adsorption and melting of the ice/snow at the substrate interface with the ice or snow. Bench scale tests at Notre Dame have been very sucessful.

The concept has been demonstrated and optimization designs are progressing. First scale-up studies on Vought Corporation's 18 foot rotating drum indicate progress to a better than 2-mile per hour rail ice removal rate. Development studies continue to explore new material with better induction properties, induction coil design to heat the rail at a higher rate and thereby increase the de-icing speed, induction coil design, and waste heat recovery for post melt rail drying. Since the process induces melting at the rail surface, a scraper immediately following the induction heater removes residual ice/snow thereby making complete melting unnecessary.

Microwave System

The microwave system has been installed at Notre Dame for bench scale studies. These tests will commence in April 1981. The microwave system works better once melting has begun. Water has a very high microwave absorption coefficient. Prior to scale-up the bench scale tests will include a tandem r-f, microwave system to investigate economics of the combination system. The next phase will be to determine the practicality of first scale-up for test on Voughts 18 foot drum.

The Vought Corporation has completed many of the proposed element and subsystem tests. However, lack of continuation funding has stopped work on implementation of full scale vehicle preparation for testing in a simulated winter environment with these element and subsystem improvements installed. Full scale testing is crucial to determine whether or not the design modifications meet full operational hardware requirements, and whether or not they are effective in combating ice and snow. The necessity for these test is enhanced when these modifications are combined with other sub-systems on a vehicle where space constraints introduce an additional variable which cannot be otherwise tested.

Further work has been done by Notre Dame and Vought in the area of passive treadway countermeasures. Notre Dame has accomplished some initial materials evaluation and performance studies for soft surface overlays. Vought has conducted environmental tests on various icephobic materials to determine their potential for rapid ice/snow removal. Several soft overlay support configurations have been studied, with considerable success, to determine the best configuration for minimal ice/snow adhesion. Energy losses encountered for soft overlay icephobic materials have been lower than predicted.

Summary:

Great progress has been made in all areas of proposed and funded work including the areas necessary for full-scale weather-hardening vehicle cold weather testing. The program was on schedule until the delay in approval of the appropriated continuation funds occurred. In the absence of continuation funding, work in most basic research and development areas will cease in mid-May, 1981. In view of the progress made to date and the demonstrated promise of the counter-measures and weather-hardening hardware, we respectfully request the assistance of the committee in the release of the appropriated FY-81 funds. Further, in view of the delays experienced in obtaining this funding we respectfully request that the committee not include this program in their recommendations for the FY-82 budget. The intervening year will permit the Cold Weather Transit Technology Program time to continue research and development which will show the merits of work which has been proposed and for which the appropriation has been made.

STATEMENT OF HON. JAMES C. WRIGHT, JR., U.S. REPRESENTATIVE FROM TEXAS

Mr. Chairman, it is a privilege to appear before your subcommittee today; and I thank you for this opportunity.

I appreciate this chance to introduce these friends sitting beside me, along with their associates. They are deeply involved in advanced technologies, which, if successful, will increase the reliability of automated transit systems in metropolitan areas which have very cold winters with severe ice and snow. Their work may have application to non-automated systems as well. You, Mr. Chairman, as the distinguished senator from the great state of North Dakota, will be completely aware of the hardships to the transportation systems in your state during winter weather. I certainly do not have to point out to you and this subcommittee that billions of dollars are lost each year in this nation during the winter months. These staggering losses definitely can be reduced if we can find a way to overcome these weather obstacles. The lost dollars and manhours are a tremendous drain on our economy.

In other words, everybody talks about the weather; but this program is actually doing something about the weather -- or at least the ill effects of the weather.

This research program involves the highly skilled scientists and engineers of the College of Engineering at Notre Dame and at Vought Corporation in the Fort Worth/Dallas area. This corporation designed, engineered, built and operated the most sophisticated, automated transit system in the free world. This system, known as AIRTRANS, has been in operation since January 1974 at the Dallas/Fort Worth Airport. It is in revenue service today.

Through February 1981, I am told, the system has safely carried 37,146,347 passengers.

Notre Dame and Vought Corporation, one in the academic field (and, being from Texas, I must say they play excellent football) and the other in the engineering field, have pooled their separate, specialized abilities to research the application of advanced technologies -- specifically, laser beams, ultrasonics and microwaves, to fracture ice and clear away snow to get it out of the way of the vehicles which make up this system.

Mr. Chairman, you and your colleagues, no doubt, will remember this was presented to the Congress for the first time in 1979 as a four-year, $20 to $22 million program funded on the basis of $5.5 million a year. The program is under the direction of the Department of Transportation, specifically UMTA. Notre Dame is the grantee with Vought Corporation the prime contractor.

Specifically, Mr. Chairman, I strongly support the continuation of this research and development program, along with the building of a national weather test center in an ice and snow area, as originally proposed in this R&D program. The Chairman of the Board of the LTV Company, of which Vought is a subsidiary, has told me this will be mainly a hardware-oriented, R&D program. I must confess, Mr. Chairman, in one way, I am sorry we do not have the severe winters northern Indiana has at South Bend. I would have liked to have had this congressionally-supported program and the national weather test center in my district in Texas. Our beautiful Texas sunshiny weather is just somehow not suitable for this kind of research.

The witnesses from Notre Dame and Vought will go into detail as to what has been accomplished and what is proposed in this research program. However, this program will not be able to accomplish its objective if it is not saved soon from the toils of the Department of Transportation. We all understand that agencies need time to do their work, and discretion to make wise choices, but the department's handling of this program simply ignores what the Congress of the United States has approved.

Last year, the House and Senate approved the second year of funding for this program in the amount of $5.5 million. This was approved by the two houses and signed by the President.

In the report accompanying that appropriation bill were strong words specifically urging the Department of Transportation and UMTA to expedite the paperwork so the program could continue uninterrupted both at Notre Dame and Vought. I am told by my long-time Fort Worth friend, Keith Kahle, a full-time advisor to the Senior Vice President at Vought, that Notre Dame filed its Statement of Work with UMTA on December 5, 1980. Now it happens that this is the type of paperwork that Congress specifically asked DOT to expedite. However, thus far, the Statement of Work has not been approved by UMTA, although I am told that all technical details have been met by Notre Dame. As a result of this lag, plus the lag in release of the 1979 money, the program is a year behind where it should be as proposed to Congress in 1979,all due to the bureaucracy within the Department of Transportation, which has yet to advise Notre Dame, the grantee, or Vought Corporation, the prime contractor, of any official "hold." I am further told Notre Dame has heard nothing for several weeks on the funding or on any part of this program. This is simply not the way our government should operate. It is unfair to the other parties involved and a disservice to the American public, which has a stake in the hoped-for success of this program.

As a result of this frustrating situation, Mr. Chairman, Notre Dame and Vought are now operating under 1980 money, which is quickly running out. Since FY 1980 money was six months late and FY 1981 money is already six months late, both parties will not ask for 1982 money at this hearing but will ask instead that Congress direct that its 1981 funding be released to permit work to continue. I support this request.

Notre Dame/Vought made an informal presentation yesterday which perhaps was attended by members of your committee. Part of the presentation involved a motion picture depicting a "coil" fracturing a thin coat of ice on a steel rail. It was an impressive demonstration of the dramatic potential of this program.

Mr. Chairman, I am aware of the need to reduce expenditures whenever possible, but this does not mean our nation must turn its back on research, which, if successful, could have a major beneficial effect on a third of our nation, and quite possibly have great value to the military as well.

I urge that your subcommittee take whatever action you deem appropriate to obtain the release of 1981 funding for this vitally needed program.

(CLERK'S NOTE.--The Notre Dame/Vought Report is in the subcommittee's files.)

STATEMENT OF L. L. SAUNDERS, GENERAL MANAGER, OTIS ELEVATOR CO.

Senator ANDREWS. Our next witness is Mr. L. L. Saunders, general manager of the Otis Elevator Co. He's going to tell us why the elevators don't come when we push the button. Although I notice out here in the corridor, we've got some offbreed type of elevator; at least it doesn't say Otis.

Mr. SAUNDERS. I'll let the comment on Otis pass.

Senator ANDREWS. I don't know whose breed it is out there, but you can get into that thing sometimes, particularly on the second floor, and you push the button and don't go any place. After you wait for a couple of minutes, then you get out and push the button on the other side trying to get another one, and no elevator will come because one's already there. That's happened to me on about five occasions. Now I'm glad I moved over to the Russell Building.

Mr. SAUNDERS. That's what happens when you buy substandard elevators. [Laughter.]

Mr. Chairman, it's a pleasure to appear before this committee, and like most of the other speakers, I will attempt to summarize my statement.

My purpose in being here is to enlist your continued support of the key research and development program of the Urban Mass Transportation Administration. This is the advanced group rapid transport program, known as AGRT.

Contracts were signed in 1979 by Boeing and ourselves to develop the AGRT test systems. These contracts resulted primarily because of interest and the support of the subcommittee and its counterpart in the House.

The commitment of the Congress to AGRT development was vindicated by an investigation by the OTA as reported with respect to the reference in my statement.

United Technologies, which is the parent of Otis Elevator, entered into the AGRT test system contract and committed significant capital funds and facilities to serve this program.

Even more important, key, highly skilled engineering personnel resources were assigned with the full expectation that UMTA would follow through on its commitment.

The Urban Mass Transportation Administration now proposes unofficially to reprogram AGRT funding into other product improvements.

As one of the two prime contractors in this program, we are ready to accept a spending cut, but not complete abandonment of the program. And much like the conversation with respect to Vought, we do recognize that in this area there is actually increased funding in the UMTA budget.

However, the UMTA administrator and associate administrator have taken it upon themselves to reprogram funds away from already designated programs into other areas.

I am here to request that this committee disapprove the intended budget shift from AGRT. We do agree with the need for the administration and the Congress to balance the budget, and we are ready to look at other methods in reprograming this particular program.

One of the significant factors about the AGRT program which I would like to bring to your attention is the fact that AGRT is a program directed toward improving the transit property's ability to recover the cost of operation and the capital cost. Comparisons which appear in the statement that you have indicate that the capital costs, although higher in the AGRT system, when combined with the operating and maintenance, which is the subsidy portion, the ongoing subsidy ends up being about two-thirds of a total cost of a typical bus system.

We think this is a very significant point when we are talking about reducing and eliminating subsidies. We must have some systems that can, in fact, meet the goals, both from the national and the local level, from the standpoint of supporting programs.

The urgency for improved public transportation in the wake of increasing subsidy demands better ways to deliver this transit technology. Improvements to increase productivity and reduce life-cycle costs can be achieved with the implementation of AGRT.

In conclusion, I request the valuable support of this committee to continue the AGRT development as a line item of the UMTA budget at a level which will permit deployment in the United States in the 1980's.

Thank you for your consideration.

Senator ANDREWS. Thank you for some excellent testimony. AGRT and that concept is not the group that designed the new bus that they are having so much trouble with?

Mr. SAUNDERS. No.

Senator ANDREWS. Actually, you are seeking means of finding yet better ways of putting American technology to work to provide a system where that type of horror story won't occur.

Mr. SAUNDERS. That is correct.

Senator ANDREWS. Thank you very much.

[The statement follows:]

STATEMENT OF L. L. SAUNDERS

Mr. Chairman and Members of the Committee, I am Lawrence Saunders, General Manager of the Transportation Technology Division of the Otis Elevator Company, a subsidiary of the United Technologies Corporation (UTC). It is a pleasure to appear before this committee. My purpose is to enlist your continued support of the Key Research and Development Program of the Urban Mass Transportation Administration (UMTA) which is directed toward providing a form of mass transit which can be financed locally and paid for out of the fare box. This is the Advanced Group Rapid Transit program known as AGRT.

Contracts were signed in 1979 by Boeing and United Technologies to develop AGRT test systems. These contracts resulted primarily because of the interest and support of this Subcommittee and its counterpart in the House. The commitment of the Congress to AGRT development was vindicated by an investigation by the Office of Technology Assessment as reported in Reference 1.

United Technologies entered into the AGRT test system contract in good faith and committed significant capital funds and facilities to serve the program. Even more important, key, highly skilled engineering personnel resources were assigned with the full expectation that UMTA would follow through on its commitment.

The UMTA now proposes unofficially to reprogram AGRT funding into product improvements for existing transit equipment - such as bus components - an activity which could be in conflict with the responsibilities and objectives of the established suppliers of such equipment. The OMB has not directed this reprogramming. As one of the two prime contractors on this program, we are ready to accept a spending cut but not complete abandonment of the program. Arguments raised regarding why AGRT should be abandoned in its present form do not agree with the facts of the matter. A discussion of several of the stated arguments for reprogramming AGRT is as indicated in Attachment 1.

In the time since the start of the contracts, we have accomplished the following key developments:

- o A new fault tolerant automatic control and safety system approach has been devised to provide nonstop service. The flexibility and service reliability of this system should exceed those of current systems by a wide margin and will be applicable to urban rail systems as well as AGRT networks.
- o The design approach for the advanced linear motor electromagnetic propulsion and braking system was selected and key components are now being tested.
- o The design of the test track has been completed and a 60 acre site has been leased. Construction was originally scheduled to start this year, but is held pending UMTA direction and funding.

I am here to enlist your support to disapprove the intended UMTA budget shift from AGRT and, if possible, to expedite this important program. We agree with the need for the Administration and the Congress to balance the budget. The AGRT program is directed specifically to this end by partially replacing current modes, i.e., bus and rail with a more cost effective (Attachment 2) and high quality service which should reduce the need for transit subsidies.

I would now like to briefly review the characteristics of AGRT. AGRT is an automated guideway transit system which will use ten-to-thirty passenger electrically propelled vehicles operating on narrow elevated guideways to serve networks of stations in downtowns and congested corridors. Service can be provided to points within walking distance covering entire downtown areas with guaranteed seating for all passengers. Typical downtown trips will take no more than five minutes. AGRT networks can be expanded without interruption of existing operations or degradation of service. Most important, AGRT can provide the quality of service required to attract riders from their automobiles and with life cycle costs lower than those of bus systems as illustrated in Attachment 2.

It is estimated that AGRT can attract two and a half times as many riders during rush hour and five times as many riders in off peak hours as bus systems serving the same areas. More important, AGRT vehicles will operate on a demand basis (much like elevators) during off peak periods. This will avoid the most significant problem encountered in bus and light rail systems, that of having large fleets of virtually empty vehicles servicing routes during off peak periods with the attendant waste of money and energy. The 1978 average operating and maintenance costs for five existing small automated guideway systems was 17¢ per passenger trip as compared to 49¢ for buses and 58¢ for rail rapid transit[2]. The automated systems also provide an average 78 percent greater service capacity, in terms of passenger place miles per year, than light rail for an equivalent investment. AGRT can further improve this service capacity advantage by a factor of three-to-five times.

The ability to attract significantly greater ridership because of the network implementation and improved quality of service means that AGRT can provide a cost effective alternative to the bus and rail systems for a lower life cycle cost.

I call your attention to the report from the Office of Technology Assessment issued in January 1980 entitled, "The Impact of Advanced Group Rapid Transit"[1]. This report is strongly supportive of AGRT development as contracted by UMTA in 1979. To quote from the OTA report:

> "Unless cities adopt forms of transportation that require less energy and space, they face a future of greatly increased traffic congestion and reduced mobility. Barring major policy changes, traffic congestion in cities is expected to double between 1975 and 2000. In addition, people dependent on public transportation will find it increasingly difficult to travel, particularly to dispersed suburban job centers where most of the employment growth is occurring."

The OTA Report also states that public transit serves only 2.5 percent of all urban trips, - a sad commentary on the results of our massive investments in public transit.

In addition to the OTA investigation last year, there were investigations of AGRT by an internal UMTA Task Force and a Task Force under the Office of the Secretary of Transportation. These investigations also were strongly supportive of the AGRT technology development program. Interest and support for AGRT is now beginning to build in transit properties as a result of briefings by the contractors.

As you know, the only constituency for R&D in mass transit is comprised of those who genuinely wish to improve the form, attractiveness, performance, and reduce the life cycle costs of public transportation systems. The UMTA apparently does not consider this constituency important and appears willing to forfeit the future opportunity to operate mass transit on a balanced cost versus revenue basis.

There is a growing belief in the Congress and in the transit properties that UMTA should spend much more effort on R&D rather than less. I would like to quote directly from the OTA Report, Reference 1.

> "Section 6 of the Urban Mass Transportation Act of 1964 authorized a program of research, development, and demonstration projects to pursue three goals:
>
> 1. assist in the reduction of urban transportation needs,
> 2. improve mass transit service, and
> 3. minimize cost.
>
> The proportion of the UMTA budget devoted to the search for more competitive transit systems and services remains low in relation to the overall rate of Federal R&D spending. In FY 1979, 5.9 percent of the total Federal budget was allocated to R&D while only 1.8 percent of the UMTA budget was earmarked for the development of new and improved transit systems."

While it is true that UMTA's overall budget has been cut by the Administration, there are actually more funds requested for R&D in Section 6 than last year. My request is that Congress ask UMTA to continue their commitment to AGRT within the limit of these funds as close to the contract plan as possible. With such commitment, AGRT can be visible in hardware for evaluation by 1984.

Our Corporation has an investment in excess of $13 million in the development of an organization plus the basic technologies required for AGRT. UMTA has spent about $35 million to date on AGRT. These resources cannot simply be turned off now to be turned on again at some future time. The investment in experience and know how will be lost -- not to mention valuable time.

The current state of the transit equipment supplier industry is one which must be corrected if we are to have an industry at all. As you may know, there is only one rail car manufacturer in the U. S. and that firm is foreign owned. The bus industry is comprised of essentially only one major supplier. This situation persists while 97% of U. S. cities must rely on buses for their sole means of public transportation[3]. The record of the last ten years clearly establishes that the policies that have been implemented, whether intentionally or unwittingly, are assuring that the bus is the only alternative to the automobile in the vast majority of U. S. cities. The record of bus systems is clear. The national average ridership on public bus systems is only 5 percent of the capacity provided on an annual basis[4].

Last year in Denver, where we are located, for every dollar collected in bus fare, it cost the taxpayer 11 additional dollars (local, state and federal) to support the bus system.

Mr. Chairman, we believe it is time to start turning this situation around.

The urgency for improved public transportation, in the wake of increasing subsidies, demands better ways to deliver transit technology. Improvements through increased productivity and reduced life cycle costs can be achieved with the implementation of AGRT systems.

In conclusion, I request the valued support of this Committee not only to continue the AGRT development but to expedite this program toward completion to a level which will permit deployments in U. S. cities in the 1980's. United Technologies Corporation states unequivocally that prototype systems, ready for urban deployment, can be developed and ready within this decade given adequate resource levels and continuity of purpose.

Thank you for your consideration.

REFERENCES

1. Office of Technology Assessment, "Impact of Advanced Group Rapid Transit Technology", January, 1980.

2. N. D. Lea and Associates, Summary of Capital and Operations Cost Experience of Automated Guideway and Maintenance.

3. Transit Fact Book, 1978-1979 Edition, American Public Transit Association.

4. Michael F. ConTan, "Ridership Will Double in '80's, Transit Operators Say", Denver Post, March 16, 1980.

Attachment 1

UMTA ARGUMENTS FOR REPROGRAMMING AND UTC RESPONSE

Stated UMTA Reason 1: It is difficult to appropriate funds during trying economic times for an automated transit system.

UTC Response: To delay development of technology, while using what exists until it falls into disrepair, is not a viable alternative. We must continue to develop alternatives which have the objective of not only eliminating federal subsidies but federal grants as well by providing transit forms which can be viable on local funds and fares.

Stated UMTA Reason 2: The AGRT program is a high technology system whose payoffs would not be realized except in the long term.

UTC Response: This assumes that the program will be conducted in the lengthened time frame imposed by UMTA. The original proposals and program format were to have prototype hardware (at a high state of development) in three years, not six years, as currently contracted.

Further, this stated reason does not recognize the reality of the situation - there are cities who are interested in moving forward in this area; Indianapolis, Indiana for instance.

Stated UMTA Reason 3: The service capability of AGRT is in anticipation of a need and demand which have not yet materialized.

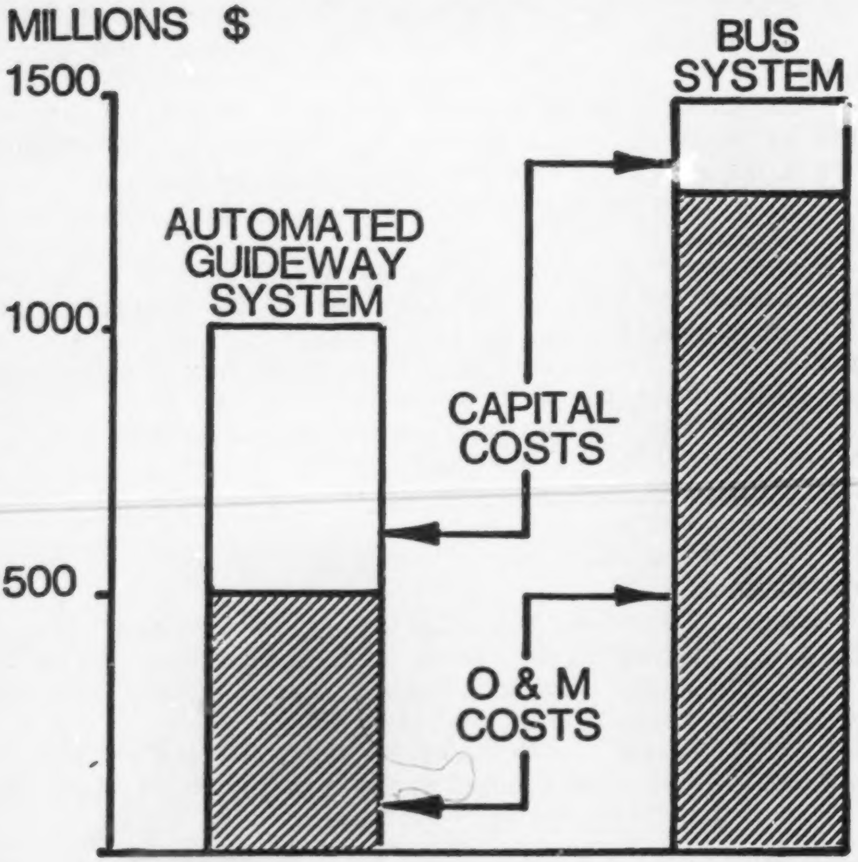
UTC Response: The demand has been there - the technology has not. Denver, San Diego, Minneapolis and other cities wanted this technology in the early 70's. Now Indianapolis is interested.

Stated UMTA Reason 4: The technology to meet the need can be obtained in from three-to-five years.

UTC Response: This is true if and only if the program is pursued in a continuous and vigorous manner. To terminate the program now and attempt to restart it at some future date would lengthen the time frame upwards to six or seven years. Additionally, it is unlikely that the resources (technical knowledge and facilities) would be available in the degree of readiness that exists today.

Attachment 2

PRESENT VALUE LIFE CYCLE COSTS
25 MILES – 30 YEAR LIFE
EQUAL PATRONAGE (17600 PPH)



8 % DISCOUNT RATE (MUNICIPAL BONDS)
9 % INFLATION

STATEMENT OF WILLIAM J. WILSON, GENERAL MANAGER OF TRANSIT, BI-STATE DEVELOPMENT AGENCY

Senator Andrews. Our next witness is Mr. William Wilson, general manager of transit.

Next on the printed list is Mr. Allen Ferguson.

Now wait a minute.

Mr. Nelson. The right name should be Robert A. Nelson.

Senator Andrews. For PIE–C?

Mr. Nelson. Right.

Mr. WILSON. I am William Wilson.

Senator ANDREWS. We have no testimony for you.

Mr. WILSON. It was sent up to you. I have copies.

Senator ANDREWS. We do not have testimony from PIE–C, nor do we have testimony from Mr. Henry Kane.

Mr. Wilson, you may proceed.

Mr. WILSON. Thank you, Mr. Chairman. I appreciate this opportunity, and I will try to be very brief.

What I would like to do is share with you this morning some experiences that we have had at the Bi-State Development Agency in St. Louis with the elderly and handicapped transportation under the 504 regulations.

Bi-State, for your information, is an interstate compact that was formed by the Legislatures of Missouri and Illinois, and then ratified by Congress. We operate a regional transit system in three counties in each State. We have got about 1,000 buses and haul about 76 million people a year.

Like most transit properties, of course, we are plagued by inflation costs and fuel prices and labor contract demands, and so forth, and as a result, we are going through some of the difficulties that many transit properties face in the country today of increasing fares, cutting service, and so on to balance budgets.

There is one way, though, I think, that Congress could help us, and that is basically to relieve us from the unrealistic and costly mandates required by the 504 regulation as it relates to transportation of the physically handicapped.

We would like to share some of our experiences with those regulations with you.

In August 1977, Bi-State was really the first property in the country to implement an extensive fixed-route accessible bus system. We bought about 157 buses with wheelchair lifts and kneeling devices, and instituted accessible service over the next year.

However, because of severe mechanical reliability problems with the lifts, accessible service was reduced to less than 30 percent of that that we originally started out with by a year later.

Today we are operating about 40 buses with accessible service. Ridership started out with nearly 3,000 trips over about a 6-month period, but then rapidly decreased to where today we are really hauling about 1 regular rider 3 days a week in our total system.

Now there were a number of problems associated with that. Certainly the reliability of the lift was a deterrent to some of the physically handicapped.

On the other hand, in doing some surveys with our people, that was really not the major problem. Neither the rider or nonuser of the service complained about it. Mostly what they complained about was the ability to get to the bus and then to get from the bus somewhere else.

So our conclusion from all of that is that the accessible bus system really has not attracted the ridership of our handicapped community in St. Louis. Initially we spent nearly $1 million to equip those buses with wheelchair lifts, which is about $5,800 apiece. We spent over about a 2-year period $1,200,000 in just repairing them, retrofitting them, and trying to get them to work. That's about $296 per trip.

With the current mandate for lift-equipped buses, we are currently purchasing 171 buses with wheelchair lifts. We are mandated to do it, a cost of $14,000 apiece, or nearly $2.4 million, to meet the mandate of having half of our fleet accessible by July 1982. It will cost us about another $3 million in lift equipment, and we estimate it will cost us perhaps $600,000 in maintenance costs to keep those repaired.

So our conclusion also is that it is just not a cost-effective way to provide service to the handicapped community.

We think there are alternate ways to do that, and we think that, thus, perhaps with $300,000 to $500,000 a year, that we can provide alternate ways of transporting and really giving mobility to the handicapped in our community. But we are faced with this mandate to put lift equipment buses in service.

Our point is what we would like to see done is to give us a local option in St. Louis and other communities. We think it would not only save our costs, but save the Federal Government costs in capital expenditures for lift equipment, and we think we can provide better service to the handicapped.

Senator ANDREWS. In other words, you feel you can do a better job moving the handicapped at less money if you do it with vans?

Mr. WILSON. We have a number of providers today doing it privately, taxicabs and some specific people.

Senator ANDREWS. As I said earlier, there is no way—well, St. Louis is bad, but it's not North Dakota. We have got windchill factors of 70-some-odd-below in North Dakota.

We appreciate your testimony. It will be most helpful to the committee. Thank you for appearing.

[The statement follows:]

STATEMENT OF WILLIAM J. WILSON

HISTORY OF ACCESSIBLE BUS PROGRAM

The Bi-State Development Agency serves an area of three hundred sixty-eight (368) square miles which includes the City of St. Louis, St. Louis and St. Charles Counties in Missouri and the Counties of Madison, Monroe and St. Clair in Illinois. Our company has a total fleet of one thousand and fifty-eight buses in which we operate 85 local routes, 56 express routes, two park-ride routes and 8 feeder (circulator) routes. In FY 1980, these routes carried approximately seventy-six million and two hundred thousand (76,200,000) passengers.

On August 15, 1977, the Bi-State Development Agency became the first transit system in the nation to implement an extensive fixed-route accessible bus service to accommodate persons in wheelchairs. This accessible service was provided with a fleet of one hundred, fifty-seven (157) full-sized vehicles equipped with wheelchair lifts and kneeling devices.

Furthermore, the decision to purchase lift equipped vehicles for regular fixed route service was made entirely at the local level. Our staff has worked closely with the Elderly and Handicapped Technical Advisory Committee and other groups to solicit advice and participation from the St. Louis community. Our accessible bus program was developed in this cooperative manner and was designed to test its effectiveness in improving access to public transportation for persons in wheelchairs. At that time, we felt that the addition of these accessibility features would provide the handicapped the necessary mobility and flexibility they required. However, we have discovered that this service has not significantly increased the mobility of the handicapped.

Bi-State's accessible bus program has gone through three phases. In Phase I, we owned 60 accessible buses and accessible service was provided on ten major routes in Bi-State's system. At this time, approximately sixty percent (60%) of the trips on these routes were scheduled for accessible vehicles.

In November, 1977 the accessible bus program entered into Phase II. In this phase, the program was expanded to 125 buses operating on seventeen local routes and five express routes. Approximately, seventy-one percent (71%) of all trips operated on these routes were scheduled for accessible vehicles. These twenty-two (22) routes encompassed all areas of the St. Louis region and were selected because they carried almost one-half of the Agency's total system ridership.

Service cut-backs were made in the program in Phase III, September, 1978 as a result of the severe problems we were experiencing with the lifts. There were continuous mechanical problems with the wheelchair lift equipment and despite vigorous and costly efforts by Bi-State and the vehicle manufacturer to improve the reliability of the equipment, it became impossible to maintain the published accessible schedules. As a result, in Phase III the service was reduced to twelve routes, utilizing 41 accessible buses, with only thirty-three (33%) percent of the trips scheduled for accessible vehicles. We are currently maintaining the program at this level of service.

PROBLEMS

During the past three years, we have experienced severe difficulties with the wheelchair lift equipment. There have been problems with various components of the electrical, mechanical and hydraulic systems of the lift. For example, the hydraulic controls leak which causes the steps to fall or drift downward, jamming into curbs. This has caused some accidents when people board or alight. In addition, the solid state control panel and micro switches which operate the lift mechanism are extremely sensitive. They melt in hot weather and freeze in cold weather totally disabling the lift. Still another problem has been with the moving parts of the lift, such as the slides. They are extremely difficult to keep lubricated due to their direct exposure to the environment. Dirt, moisture, ice and salt all serve to rust and destroy the slides, which disables the lift.

Severe weather conditions, such as ice and snow has also hampered the accessible bus service during the winter months. Large blocks of ice form underneath the steps and when the lift is activated, the whole mechanism binds and buckles.

In an attempt to correct these problems, Bi-State and the vehicle manufacturer have conducted fourteen different retrofit campaigns. Despite this effort, the lifts have never maintained an acceptable level of reliability and on any given day, forty percent (40%) to sixty percent (60%) of them are inoperative.

Due to the high failure rate of the lifts, Bi-State has hired six additional repairmen whose sole responsibility is to repair and maintain the lifts. The lift has also created a burden on our road supervisory personnel. The lift frequently malfunctions while in service which requires a road call. Moreover, when a wheelchair passenger is involved, the road supervisor usually has to carry them either on or off the bus and occasionally drive them in his car to their destination to prevent them from being stranded on the street. Thus, the mechanical problems with the lifts have caused people in wheelchairs substantial difficulties and delays in using our transit service. Potential riders are often denied entry to the bus when the lift does not work, is blocked up, or when lift buses are unavailable for scheduled accessible runs. There is little doubt that this situation has discouraged the development of wheelchair ridership on our accessible bus routes.

Our staff conducted surveys of users and non-users of transit among wheelchair persons to learn of their transporation problems and to solicit their suggestions for improvements. The major problems perceived by those in wheelchairs who did ride the buses were the unreliability of the lifts and the lack of curb-cuts. The major improvements desired by these users were that all Bi-State routes be accessible and that the reliability of the lifts be improved.

The problems were very different for those people in wheelchairs who had never tried to use the lift buses. Their major reasons for not using the lift buses were difficulties in going out of the house, traveling on sidewalks, negotiating curbs without curb-cuts, bad weather, and the availability of private transportation. It is important to note that the unreliability of the lifts was not cited as a major reason for never trying the service. The major improvement suggested by these persons were an improved sidewalk environment and the provision of dial-a-ride service in addition to the accessible bus service.

The mechanical difficulties with the lifts have also proven to be a serious safety hazard for ambulatory passengers. Most of the problems are caused by the steps drifting and falling from the original step position, making the bus difficult to board or alight for passengers. There have been over twenty-four (24) accidents related to the lift equipment. At least four of these have involved wheelchair passengers falling off of the lift when it malfunctioned while in operation. Other accidents involved regular able-bodied passengers who had tripped and injured themselves on the uneven steps. Thus, the problems with the lift equipment that I have just discussed have negatively impacted the provision of transit service to both the wheelchair user and the general riding public.

We presently have a suit against the Flxible Company, the manufacturer of the lift equipment on our existing buses. At this point, both parties have answered questions regarding the suit and are reviewing the respective documents.

RIDERSHIP

Our staff has closely monitored the level of ridership on the accessible bus routes. Utilization of this service has been extremely low. Since the inception of the Accessible Bus Program, (August 1977 through April 1980) approximately two thousand, nine hundred and eighty-six (2,986) one-way trips have been made by handicapped persons in wheelchairs. These trips were made by approximately sixty (60) different wheelchair passengers and represent only two percent (2%) of the estimated wheelchair population residing within one quarter (1/4) mile of the accessible routes. Most of these people used the service very infrequently and almost half of these trips were made by just three of the wheelchair passengers per month. Based on our estimated modal splits, the general riding public made over six percent (6%) of their total trips on the accessible buses, whereas, the wheelchair population only made less than one percent (.27%) of their total trips on these same buses.

Wheelchair ridership has decreased over time, especially during Phase III when service was cut back to 41 lift buses and with the continued unreliability of the lift. Currently, wheelchair ridership has decreased to an average of just sixteen (16) one way trips per month.

COST

The Bi-State Development Agency has invested a tremendous amount of money to operate its Accessible Bus Program. The initial capital costs for this program were $917,805 to an average of $5,846 per bus. The total operating costs for the first 22½ months of service (August 1977 through June 1979) were $1,181,040. Over this period, the total marginal (out-of-pocket) costs were $778,916, resulting in an average of $296 per trip by persons in wheelchairs. These costs included extra service hours added to the schedule, lift repairs, preventive maintenance, administrative staff time, and accident liability costs. Even when the cost of extra service hours are excluded, marginal costs still averaged $160 per trip. The total marginal cost per individual wheelchair user was $12,769. As you can see from these ratios, the Accessible Bus Program was not a cost effective mode of transportation for the wheelchair user.

CURRENT STATUS OF ACCESSIBLE BUS PROGRAM

As I previously noted, Bi-State's accessible bus operation has been reduced to twelve accessible bus routes in its transit system. Approximately one-third (33%) of the trips on these routes are scheduled for accessible vehicles. At this time, continuing maintenance and reliability problems with the wheelchair lifts have prevented any expansion of service for this program.

Essentially, the same problems are occurring with the lift-equipped buses as in the initial stages of their operation. There are still leakage problems with the hydraulic system, drifting problems with the steps, and problems with the control panel and microswitches which operate the lift mechanism. Although modifications have been made to the equipment, mechanical problems are still occurring. Approximately 78 buses (50%) out of the total of 155 lift-equipped buses have lifts that are either active or semi-active. The other lifts are inoperable at this time. Thus, the reliability of service on the accessible routes has not improved since the cut back in service. However, our staff is continuing to make efforts to improve the operation of the lifts and the reliability of service on the routes in the accessible bus program.

We are currently in the process of purchasing 171 new buses with lift equipment. These buses will be equipped with the Environmental Equipment Corporation's(EEC) lift, a third generation lift and the latest equipment in technological design. These lifts are an added cost of $14,000 each or a total of $2,394,000.

THE FUTURE

Under current regulations, we are mandated to have half our fleet equipped with lifts by July, 1982 which will cost over $3,000,000 additional capital expenditures for a total of more than $6,300,000 so far. At current prices for lifts, nearly $14,000,000 in capital costs alone is required to outfit our entire fleet.

In addition, we estimate it would take a total of 18 repairmen at an annual cost of over $600,000 including parts to maintain just the 1982 mandate of having half our fleet accessible. This, of course, allows nothing for added time in the schedule on those routes where service would be provided.

On the other hand, we have estimated that providing subsidies of perhaps $300,000 to $500,000 annually to existing private and non-profit transportation providers who currently have equipment to handle the physically handicapped would provide adequate and better service to meet the mobility needs of the handicapped community.

While we remain committed to meeting the needs in our community, we must conclude that fixed route accessible buses do not provide for mobility nor is it at all cost effective.

We strongly urge that the mandate for fixed route, accessible buses be eliminated from the 504 Regulations and that the local community be given the option to choose alternative transportation modes to meet the mobility needs of the physically handicapped.

STATEMENT OF ROBERT A. NELSON, PRESIDENT, PIE-C

Senator ANDREWS. OK, our next witness is Mr. Nelson from Public Interest Economics here in Washington, D.C.

Mr. Nelson, if you will proceed.

Mr. NELSON. Thank you, Mr. Chairman. It's a pleasure to be here, and my name is Robert A. Nelson. I reside in McLean, Va. I'm a consultant on transportation.

I would like to raise three issues here bearing on the economic desirability of additional construction of the Washington Metro rail system:

One, the relative cost effectiveness of heavy rail transit for local transportation in Washington suburbs; two, the income impact of Federal expenditures on building the Metrorail system; and, three, the timing of construction of the Metrorail system.

My statement will develop each of these issues.

I would like to State immediately in this regard, as an economist I do not raise questions about segments of Metrorail on which capital funds have already been spent. What's done is done. The resource opportunity cost of those segments are now low, and undoubtedly at this time, anyway, cost effective as compared to any alternative transportation.

It is to the portions of the system on which capital funds have not been spent in any large amounts and where major construction has not taken place that I want to address my remarks.

Briefly, let me recall to you that the system now has 37.1 miles in revenue service, with an additional 23.3 miles under construction. In northern Virginia, the holes in the ground on the K and J lines stop at Ballston and Huntington respectively.

On the K line, there are about 8 miles to be built to fill out the so-called completed 101-mile regional system.

On the J–H line, there are about 4 to 5 miles left to be built.

Mileage is still to be built on the District of Columbia and Maryland lines, particularly those which run easterly and northeasterly from downtown Washington.

Concern for U.S. taxpayers' funds suggests that neither the K or J segments should be completed, certainly not at this time. Construction should be stopped at Ballston on the K line and Huntington on the J–H line. The situation on the District of Columbia segments is another story which I will discuss further on.

I will not attempt to regale this subcommittee with explanations as to why the Washington metropolitan area finds itself in 1981 with a rail transit system which Fortune magazine, in an article in December 1979, referred to as the "Solid Gold Cadillac of Mass Transit."

What you should be concerned with are reasons why Federal funds should not in the future be used to complete what would be a redundant transportation facility in northern Virginia.

The problem of redundancy and cost ineffectiveness lies largely in the fact that Virginia, unlike some other local jurisdictions, has chosen to complete its Interstate Highway System network in northern Virginia. I–95, now I–395, comes in from the south in essentially the same transportation corridor as the planned Metrorail J–H line.

I–66, when completed, would have the K line running in its median west of Ballston. Hence, in both corridors, there would be, with the completion of the rail and highway facilities, both a very high capacity highway system and a very expensive rail transit system.

The express lanes on I–95, I–395, the Shirley Highway, is among the few great success stories in transportation in the last 10 years. As of right now, the express lanes are accommodating 18,000 riders in the peak hour.

The express lanes which now permit 4-person carpools, if limited to 46-passenger buses, could handle more than 40,000 riders in the peak hour.

The J–H rail line, when completed, will add a peak-hour capacity of 42,000, assuming 175 passengers per rail car with more than half standing.

This combined rail and bus capacity is equal to more than eight times the present peak-hour flow of rail and bus riders in the J–H corridor. It is not likely that this capacity will even begin to be strained until well into the 21st century.

On the K line, rail capacity will be 20,000 in the peak hour, again with 175 passengers per car, and more than half standing.

I–66, with 2 lanes in each direction, will offer capacity of 46,000 riders in 46-passenger buses, all seated.

The combination of rail transit and highway on a single line will provide peak-hour capacity of 66,000 for a corridor whose total population in 1990 is projected to be about 180,000.

In sum, one-third of the total population of the K corridor in 1990 could be accommodated in 1 hour in free-running buses on I–66 and in K line trains.

If northern Virginia transit system riders were paying the capital and operating costs of the enormous excess capacity in their planned system, there would be much less argument.

In fact, however, U.S. taxpayers everywhere are paying for the solid gold plating of the northern Virginia rail transit system.

For example, the additional public capital and operating costs, mostly Federal, to accommodate a rail passenger trip between Ballston and Vienna on the K line, would be over $10.

This compares to a trip fare for the entire distance to downtown of under $2. The magnitude of these discrepancies, between what riders pay and what their trips cost, has been disregarded by most local elected officials. This is no doubt because local taxpayers would pay only a small proportion of the public costs.

The basic planning deficiency of the Washington public transit system is its strong resistance to making economic use of buses. No doubt this in part owes to the public's experience with buses in urban areas where they have tried to compete with private autos and taxis on city streets.

Buses need not, however, be operated in that way any more than autos have to be operated only on gravel roads, or jet aircraft at altitudes of 2,000 feet.

Let me give you an example of efficient bus operation. On I–66 in the K corridor, buses could operate between the beltway and the Theodore Roosevelt Bridge with running times of 12 minutes. Between the same point on the beltway and Rosslyn, near the Roosevelt Bridge, Metrorail running time would be 20 minutes.

WMATA has consistently mismanaged its bus transit system, as recently reported by a WMATA consultant. In the alternatives analysis done several years ago to evaluate plans for Metrorail, the use of buses was derogated so that their economic worth as an alternative system to rail transit was not really evaluated.

Buses obviously have the great advantage of flexibility in route operation, the capability of being sized to traffic needs, and being operated on multipurpose infrastructure.

Used effectively, buses are far more cost effective for low-density suburbs than fixed-rail transit systems. Unfortunately, they don't cost as much, and so the funds that could be gotten for bus systems from the Federal Government are less.

One of the frequently made contentions to support building Metrorail is that, as a transportation mode, it is capital intensive and, therefore, has lower labor operating costs.

This is not in fact correct. WMATA employs 8 people per rail transit car, and 2.6 people per bus. Maximum seated and standing capacity of a transit car is 175; per bus it is 65. The employee-passenger ratio for Metrorail is 4.5 employees to 100 passengers; for bus, it is 4 to 100. The bus figure is more than 10 percent lower; that is, fewer employees per 100 passengers.

It is also not true, as a number of studies have shown, that rail transit is more energy efficient than bus.

The Washington region has already received more Federal rail grants than any other metropolitan area in the country. Yet the Washington area has the highest incomes of any of the metropolitan areas receiving rail funds. In 1977, the median family income in the Washington area was 40 percent greater than the median family income in the Nation as a whole.

Furthermore, the lines most nearly complete will reach into Fairfax and Montgomery Counties, two of the four richest counties in the United States. The people who commute to Washington from these communities have median incomes that are 40 percent higher than those of the area as a whole, and about 80 percent higher than those of the Nation as a whole.

One may wonder why lower income taxpayers across the country should be called upon to spend unprecedented numbers of Federal dollars on an inefficient system to serve many highly paid Federal bureaucrats and other affluent suburbanites who work downtown.

It may be noted that most of the still unbuilt and unfunded segments of Metrorail are east of a north-south axis in the district. This generally is the low-income sector of the Washington metropolitan area. People living there are consigned to riding buses while their wealthier fellow citizens will be riding Metrorail.

Metrorail construction and inflation. One of the most pernicious and yet persistent myths which politicians and others in the Washington area have propagated about Metrorail is that it should be built quickly before its costs rise as a result of inflation.

The fact is that the costs of building Metrorail have increased by 3 times since 1972, while the price level has risen 1.7 times. It is precisely because Metrorail has been constructed so rapidly that it has drained construction resources in the whole Washington area and forced up their prices.

This has caused inflation in all construction activities, including homebuilding, in the Washington area.

It is rudimentary among economists that one never builds heavy capital facilities in an inflationary period. This is because the resource drain for large capital investment is very heavy, while output has hardly increased at all.

Nothing could be more inflationary.

Does the red light mean I'm out of time?

Senator ANDREWS. You've been out of time for quite some time.

Mr. NELSON. Oh, I have?

Senator ANDREWS. I told you earlier your whole statement would be in the record, and you have just eliminated any possibility for questions or exchange, so I appreciate very much your testimony.

Mr. NELSON. Can I read my recommendations?

Senator ANDREWS. Well, they're in the record.

Mr. NELSON. All right. Thank you very much.

[The statement follows:]

STATEMENT OF ROBERT A. NELSON

Mr. Chairman, my name is Robert A. Nelson. I reside in McLean, Virginia. I am a consultant on transportation economics. For 4 years between 1972 and 1976 I served as Fairfax County representative on the Washington Metropolitan Area Council of Government's Citizens' Transportation Advisory Committee. In that position and subsequently, I spent a great deal of my own time in analysis and evaluation of the proposed Washington Metro-rail transit system. Earlier, in my years in the Federal government, I was Director of the Office of High Speed Ground Transportation and the Northeast Corridor Transportation Project and initiated the Metroliner Service between Washington and New York. As a resident of McLean, Virginia, I have served on many citizens' committees on transportation including membership on Virginia Governor Godwin's Council on Transportation. In a citizen role I proposed the resolution of the I66 controversy in Virginia which resulted in scaling the highway down to a size that is consistent with the region's environmental objectives and transportation needs. I come to you this morning as a transportation professional with a commitment to seeing economically effective solutions to the Washington area's transportation needs with particular emphasis on Northern Virginia. I would like to raise 3 issues bearing on the economic desirability of additional construction of the Washington Metro-rail system:

(1) the relative cost effectiveness of heavy rail transit for local transportation in Washington's suburbs;

(2) the income impact of Federal expenditures on building the Metro-rail system;

(3) the timing of construction of the Metro-rail system.

My statement will develop each of these issues.

I should like to state immediately in this regard that as an economist I do not raise questions about the segments of Metro-rail on which capital funds have already been spent. What's done is done; the resource opportunity costs of those segments are now low and undoubtedly, at this time anyway, cost effective as compared to any alternative transportation. It is to the portions of the system on which capital funds have not been spent in any large amounts and where major construction has not taken place that I want to address my remarks.

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Virginia the holes in the ground on the K and J lines stop at Ballston and Huntington respectively. On the K line there are about 8 miles to be built to fill out the so-called completed 101 mile regional system; on the J-H line there are about 4 miles left to be built. Mileage is still to be built on the D.C. and Maryland lines, particularly those which run easterly and northeasterly from downtown Washington. Concern for U.S. taxpayers' funds suggests that neither the K or J-H segments should be completed, certainly not at this time. Construction should be stopped at Ballston on the K line and Huntington on the J-H line. The situation on the D.C. segments is another story which I will discuss further on.

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If Northern Virginia transit system riders were paying the capital and operating costs of the enormous excess capacity in their planned system there would be much less argument. In fact, however, U.S. taxpayers everywhere are paying for the solid gold plating of the Northern Virginia rail transit system. For example, the additional public capital and operating costs, mostly Federal, to accommodate a rail passenger trip between Ballston and Vienna on the K line would be over $10. This compares to a trip fare for the entire distance to downtown of under $2. The magnitude of these discrepancies between what riders pay and what their trips cost has been disregarded by most local elected officials. This is no doubt because local taxpayers would pay only a small proportion of the public costs.

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The Income Impact of Federal Expenditures on Metro-rail

The Washington region has already received more Federal rail grants than any other metropolitan area in the country. Yet the Washington area has the highest incomes of any of the metropolitan areas receiving rail funds. In 1977, the median family income in the Washington area was 40 percent greater than the median family income in the nation as a whole. Furthermore, the lines most nearly complete will reach into Fairfax and Montgomery Counties, two of the four richest counties in the U.S. The people who commute to Washington from these communities have median incomes that are 40 percent higher than those of the area as a whole, and about 80 percent higher than those of the nation as a whole. One may wonder why lower income taxpayers across the country should be called upon to spend unprecedented numbers of Federal dollars on an inefficient system to serve many highly paid Federal bureaucrats and other affluent suburbanites who work downtown.

It may be noted that most of the still unbuilt and unfunded segments of Metro-rail are east of a north-south axis in the district. This generally is the low income sector of the Washington Metropolitan Area. People living there are consigned to riding buses while their wealthier fellow citizens will be riding Metro-rail.

Metro-rail Construction and Inflation

One of the most pernicious and yet persistent myths which politicians and others in the Washington area have propagated about Metro-rail is that it should be built quickly before its costs rise as a result of inflation. The fact is that the costs of building Metro-rail have increased by 3 times since 1972 while the price level has risen 1.7 times. It is precisely because Metro-rail has been constructed so rapidly that it has drained construction resources in the whole Washington area and forced up their prices. This has caused inflation in all construction activities including home building in the Washington area.

It is rudimentary among economists that one never builds heavy capital facilities in an inflationary period. This is because the resource drain for large capital investment is very heavy while output is hardly increased at all. Nothing could be more inflationary. During an inflationary period emphasis should be put on immediate large increases in output to lessen the inflationary pressure of the too much money chasing too few goods syndrome. This is simply another argument for the greater use of buses which are not nearly so capital intensive as heavy rail transit.

I might point out in this context that Manufacturers Hanover Bank reported last week that in 1980 the Federal government had borrowed 35.7 percent of all the debt capital raised in all the capital markets in the U.S. Can there be any doubt about why interest rates and infaltion are at record levels? Metrorail construction ought simply to be closed down until inflation is brought under control.

In Sum

My recommendations for Federal policy toward Metro-rail are:

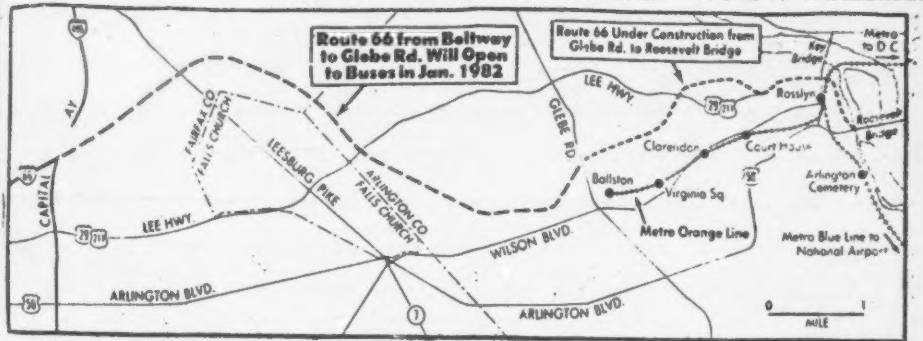
(1) To provide no new funds for construction of the K and J-H lines beyond Ballston and Huntington respectively;

(2) To step up the funding of construction on the District of Columbia segments of Metro-rail lines on the east side of a north-south axis in the District;

(3) To draw on the Federal Highway Trust Fund for funds for new Metro-rail construction; and

(4) To increase the Federal excise tax on gasoline to keep pace with inflation. On an inflationary basis the Federal excise tax on highway fuel should now be 10.4 cents instead of its present 4 (since 1959).

I understand that this subcommitee does not have jurisdiction over the substance of my last two recommendations. Nevertheless they should be proposed to Congress and should be part of a coordinated transportation anti-inflation program.


Route 66 from Beltway to Glebe Rd. Will Open to Buses in Jan. 1982
Route 66 Under Construction from Glebe Rd. to Roosevelt Bridge
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Clarendon
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Ballston
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Metro Blue Line to National Airport
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BY DAVE COOK—THE WASHINGTON POST

I-66 May Link Buses to Ballston

By PAUL HODGE
Washington Post Staff Writer

By next January, Metrobuses could be using a soon-to-be completed section of I-66 in Northern Virginia, six miles of road from the Beltway to the Ballston subway station in Arlington. The move, according to area transportation planners, could save commuters up to 25 minutes on nearly a dozen Northern Virginia-to-Washington bus routes.

T plan to open the Beltway-to-F section of I-66 to Metrobu ecently given preliminary approval by local governments and the state Department of Highways and Transportation, will give commuters a preview of the time savings expected when all 10 miles of the new Northern Virginia section of I-66 officially opens next June.

Next month, Metro is expected to hold public hearings on the plan, which would require changes in at least 10 bus routes, all originating or ending in Fairfax County. No hearing dates have been set.

The plan, if approved, would go into effect Jan. 4. Although no specific routes have been identified, county transportation planners say the areas most likely to be affected are Vienna and Oakton and routes outside the Beltway in the Lee Highway, Arlington Boulevard and Leesburg Pike corridors.

The six miles of I-66 from the Beltway to Glebe Road near Ballston are expected to be finished by October. Since Metrobus routes are changed only on a quarterly basis, Jr would be the first date the b nges could be implemented, according to Metro spokesman Cody Pfanstiehl.

The final say on the changes will come from Fairfax officials, since the county, in effect, contracts for service from Metro, and must be willing to fund any changes. In the last nine months, the county has made several reductions in Metrobus service.

"The nice thing about this is that we've been slashing bus service and now we can add something . . ." said Christopher Jenks, an associate transportation planner for the county. "I-66 will probably mean savings in dollars as well as huge savings in time, from 10 to 25 minutes on at least 10 bus routes."

While only Metrobuses are involved in the current plan, buses owned by private companies and charter buses also may be allowed to use I-66 before the official June 1982 opening, according to officials of the Northern Virginia Transportation Commission, which has helped negotiate the Metrobus plan.

When the entire 10-mile section — stretching from the Beltway to Roosevelt Bridge just beyond Rosslyn — officially opens, there will be several restrictions for rush hour traffic. The restrictions were imposed by U.S. Secretary of Transportation William Coleman in 1977 when he approved federal funding for the controversial project.

Under those requirements, I-66 will be open only to buses and four-person carpools during morning and evening rush hours. At other times, the road will be open to all traffic except trucks.

The project will cost $273 million when completed, with federal highway funds providing 90 percent of the funding, and Virginia highway funds the remaining 10 percent.

STATEMENT OF ARTHUR D. LEWIS, AMERICAN BUS ASSOCIATION

Senator ANDREWS. The next witness is Mr. Arthur D. Lewis from the American Bus Association.

Mr. Lewis.

As earlier explained, and I'm sure you know, your entire statement will be included in the record, and you will have the opportunity to do some interchange, if there is any time left in your summary.

Mr. LEWIS. Yes, sir; I understand that, and I appreciate the opportunity to appear here.

I am president of the trade association that represents the intercity bus industry in this country, Mr. Chairman. The testimony I have given you is rather thick, and one of the reasons for that is the fact that there are 50 State maps—48 State maps that compare the actual service on the routes on Amtrak and the routes of the intercity bus industry, to show that there is virtually no place in the entire United States that is not directly parallel by competing bus services.

I was an incorporator of Amtrak in the spring of 1971, and one of the reasons that the incorporators felt at that time that we would be able to generate or develop a rail system with some degree of profitability was the fact that Amtrak was exempted from rate regulation by the Interstate Commerce Commission.

The reason it was granted that freedom was to enable it to charge rates sufficiently high to cover its costs and achieve a profitable operation.

It hasn't done that because shortly after it began operation, the goal was simply to run railroads, rather than to run them profitably. As a result, Amtrak used its fare freedom to cut its rates, and for the first time in the history of the United States, the price of train transportation in this country and the price of bus transportation intercity became practically the same, and we have been head-on-head competitors with Amtrak ever since.

Now the point I would like to make, Mr. Chairman, is that if Amtrak raises its rates to the point that it covers its costs, I am not at all certain that Amtrak won't continue to carry a substantial volume of business. For it to say that it will not, doesn't jibe with the experience that I have had in my other phases of transportation.

But I will say this: For those people who don't want to pay that fare, we'll welcome them to the bus industry. We are directly competitive and we can make satisfactory service for them.

I'd like to say that buses today provide a good passenger service. It's a ride of good quality, it's relatively free from vibration and noise, its reclining seats are comfortable, air-conditioning is good and reliable, windows are large enough for sightseeing, and all modern buses have toilets and washrooms and the like.

However, we are organized today to provide the very lowest cost alternative to the car, and as a result we don't provide luxury services. It's a spartan service. But we can, and there are many bus operations in the United States today, principally in charters and tours, that are organized to provide a high degree of luxury.

If we were to provide the same space available per passenger that Amtrak provides its high-density corridor trains, literally we could provide executive coach interiors in a bus, and provide that degree of luxury at significantly less cost than Amtrak now provides.

The thing I would like to say is that there is a proliferation of bus services in the country today representing upgraded service. So not only can we provide a spartan low-cost nonsubsidized service directly competitive with Amtrak, but we can provide higher qualities of bus service that people, if they want to pay for deluxe service, can meet our costs in a reasonable manner.

I'd be glad to accept any questions that you have.

Senator ANDREWS. Do you have any program in the foreseeable future of providing that extra space available?

Mr. LEWIS. Well, there are organizations—there are experiments going on today. For example, Capital Coach Lines at Harrisburg operates between Harrisburg and Baltimore and Washington a three-abreast seat. You might have noticed during the inauguration of the President that they chartered six of those buses from Capital Coach to provide transportation between the various and sundry parties.

Senator ANDREWS. Do you feel that various bus lines might operate this kind of first-class service on longer routes, and still maintain the more spartan service?

Mr. LEWIS. Yes, sir; I think that is true, and the alternative can go all the way from, as I say, a very low density seating to a simple one wherein you provide in effect the sleeperette seat, such as you have on first-class international flights; or you can provide three-abreast seating, instead of four, two-and-two and an aisle, two-and-one, and we have tried that in the past. But as long as Amtrak provides that same quality of service, but at very low rates, why not take the train?

So, in other words, the Federal subsidies reduce that competitive ability of the bus industry to provide an upgraded first-class service that the public would pay for.

Senator ANDREWS. Thank you very much for that testimony. It will be most interesting to the committee.

Mr. LEWIS. Thank you.

[The statement follows:]

STATEMENT OF ARTHUR D. LEWIS

Exactly ten years ago this spring, I was one of a small group of men working almost night and day to revitalize rail passenger service in this country. I was one of seven men appointed by the President as the Incorporators of the National Railway Passenger Corporation. We were creating a quasi-public government corporation which would take over from the railroads the remaining intercity rail passenger services in this country. The purpose of the new company was to relieve the railroads of the deficit generated in their rail passenger operations and to find ways and means of operating rail services profitably. Many people believed that part of the reason for the long term decline in rail passenger service was the lack of interest in railroad companies in running passenger services. With a company such as Amtrak organized for the sole purpose of operating passenger services, the concentration of management attention and determination to succeed would provide the best chance for the preservation and possible expansion of rail.

The Act provided for a cancellation of about one-half the passenger trains operated at that time. This was done by the Incorporators by terminating trains with the poorest ridership and greatest losses as of April 30,1971. The only trains remaining for Amtrak to operate were in the Northeast Corridor and a limited number of trains providing daily service between certain major gateway cities to provide a minimum national network of service.

In order to maximize its revenues, Amtrak was exempted from rate regulation by the Interstate Commerce Commission. The reason it was granted freedom in rates was to enable it to charge rates sufficiently high to cover its costs and achieve a profitable operation. The freedom from rate regulation was granted to Amtrak so that it would not be burdened by the ICC's past practices which held down rates, but instead could charge whatever was necessary to break even and to make a profit, if possible. Under the Act, Amtrak had the authority to terminate any service on July 1,1973 which was not profitable by that date.

The initial funding for Amtrak as a $40 million cash grant and $100 million in federal loan guarantees coupled with contributions by the railroads of approximately $200 million, an amount equal to their annual out of pocket losses from passenger service in prior years. This initial funding of approximately $340 million was all Amtrak was to receive.

The Incorporators thought this was a pretty good Act. We felt it provided a chance for rail passenger service to prove itself in the marketplace. By isolating rail passenger services from freight and by giving Amtrak a sweetheart contract with the railroads involving costs and priority on use of the tracks, the Incorporators hoped that management would be able to make many of the remaining runs profitable, particularly those in the Northeast Corridor.

But this was not the result. To get through fiscal year ending June 30,1972, Congress had to authorize subsidies of $170 million. At this time, the original goal of profitability was dropped and a program of general expansion was adopted regardless of profitability. This was done before a determined effort had been made to make the service profitable. Ridership became the principal test of success and Amtrak increasingly adopted policies which would enhance ridership regardless of costs. It did this, among other ways, by using its rate freedom to CUT its rates rather than raise them. As a result, Amtrak rates which averaged about 25 percent more than comparable bus rates in 1972 actually dropped below bus rates in many critical markets.

The results of this policy change have been two fold: First, by virtue of the subsidies permitting Amtrak to cut rates, rail passenger services and regular route intercity bus services became directly competitive in fares for the first time. Prior to this, the differentials between the two reflected, at least partially, the difference in the level of comfort and space provided each passenger on trains as contrasted to intercity buses. Intercity bus operations have been organized to provide public transportation at the lowest possible cost. Our lower fares were our principal sales tool. However, when Amtrak published rates which were at our level or below, we lost the principal marketing advantage we had.

Since there is a substantial similarity in the demographics of Amtrak and bus passengers, the competition has been direct on those routes on which Amtrak operates. Competition has been particularly severe in the Northeast Corridor because of Amtrak's frequent schedules, but it is effective throughout the country.

Some elements of this rate competition are summarized in Attachment I showing comparative fares in 1972 and today and Amtrak's competitive impact on the intercity bus industry.

The second result of this policy has been to create an enormous burden on the American taxpayer. Appropriations covering operating losses and capital expenditures for Amtrak will total $7.7 billion by the end of this fiscal year. Government expenditures this year alone will exceed $1.4 billion.

And, what have the taxpayers received for this enormous investment -- not much. In Amtrak's first full fiscal year of operations, FY 1972, it carried 16.18 million passengers. By 1980 this had increased to 21.2 million passengers, an annualized rate of growth of only 3.5 percent. Passenger miles increased from 2.84 billion per year to 4.5 billion, an annualized rate of growth of only 5.9 percent. This is a particularly insignificant result since some of this growth represents diversion from the bus industry.

Amtrak lost $717 million in fiscal year 1980. This was $100 million more than it lost in FY 1979 despite a Congressionally mandated restructuring which eliminated about 4,500 route miles and six trains from the system including two which contributed $40 million in losses to the FY 1979 total. For the first three months of FY 81, Amtrak has lost about $41 million more than it did for the first three months of FY 80. Its net loss for the first three months of FY 81 was $200 million.

Mr. Chairman, we honestly believe this economic catastrophe has gone on long enough. We think The President's program is a good one except that it should be extended to 1986 at which time it should be necessary, by law, for Amtrak to cover 100 percent of its costs from the fares charged its customers.

One of the most succinct statements having to do with Amtrak's failure and what should be done about it is that of Robert Samuelson in an editorial in the National Journal on July 1, 1978 (attachment II). He states,

> "If nothing else, Amtrak stands as a shining example of the government's inability to eliminate wasteful programs. Trains enjoy an undeserved fashion. Their supporters refuse to ask the question: Why should the government pay so much for so little? Amtrak survives on nostalgia, sheer inertia and muddled analysis that blames its problems on mismanagement.
>
> Whatever mismanagement exists, the genuine source of Amtrak's failure is more fundamental. Trains simply cannot compete -- in time, cost or travel flexibility -- with planes, buses and automobiles. Business executives won't trade two hours on a plane for a day on a train. Family vacationers usually need their cars; even if they don't, train travel generally costs families more than car travel.

> These simple realitites explain why Amtrak was doomed from the beginning and why its continuation means throwing more good money after bad. To establish genuinely first-class service would require untold billions in track improvements, new equipment and more frequent trains. But most Amtrak trains don't cover their operating costs. To run more trains is to lose more money. Congress won't pay for that, but it has neither the vision nor the courage to embrace the logical alternative--put Amtrak out of business.
>
> Ending programs like Amtrak ought to unite liberals and conservatives: liberals because they want to channel government dollars to more socially useful programs: conservatives because they want to squeeze government spending."

We believe the Amtrak experiment has gone on long enough. It should now be forced to pay its way or get out of business. If it does not have sufficient support from its riders to pay its costs, then it is not providing a worthwhile service. The market should be that test.

We support the President's program of forcing Amtrak to raise its fares so that by 1985, it is recovering 80% of its costs from the fare box. But the policy should be extended one more year after which Amtrak should be required to charge fares to meet fully its operating costs.

Mr. Chairman, I think what we are seeing here is the failure of a concept. Almost without exception, people believe, and logically so, that we need a rail system in the Northeast Corridor. Somehow or other that real need in the Corridor is transposed in the minds of many so that they visualize the same need on a national basis. The issue is somewhat clouded by the fact that there are national railway systems in France, Germany, England, Japan and the like. But this country is different. A national railway system here simply does not play the same role that it does in these other countries whose geographic boundaries more nearly resemble the Northeast Corridor than they do the continental limits of the United States.

There is nothing in these smaller countries whose societies had matured long before the development of the automobile and the airplane, which compare to the economic and geographic characteristics of this country. There are no vast distances to travel. The automobile never became the basic transportation system of the average family. No major European city was ever built around the use of the private automobile. No large geographic region in Europe was developed uniquely around the use of the private car. To visualize the need of this country for a rail service because the Northeast Corridor needs it, or because it has remained an integral part of the ground transportation of the smaller, older countries in Europe or Japan is simply wrong.

This country developed its modern transportation characteristics after World War I with the development and use of the private automobile and after World War II with the development of the air transportation and the national highway systems. Rail passenger service, which was the only form of intercity passenger travel of any magnitude before World War I died a very natural death after World War II. It simply could not compete with the private automobile and the airplane. It would have been phased out of existence on long-haul routes many years before the birth of Amtrak if the Interstate Commerce Commission had not forced the rail industry to continue its operation in spite of heavy losses.

The fundamental flaw in the development of Amtrak has been the attempt to develop a national rail passenger system by continuing in existence the long-haul trains which have no valid market constituency. Eighty percent of the losses on Amtrak occur on the long-haul trains outside the Corridor although they carry less than 50 percent of total passengers carried on the system. Outside the Corridor, Amtrak recovered only 34 percent of its costs from its passengers in fiscal year 1980 although it recovered 49.6 percent from its customers in the Corridor.

The deficit per passenger carried outside the Corridor in 1980 averaged $53.65. Expense per passenger mile outside the Corridor totaled 24.6¢ that year. With the passenger paying 7.3¢ per passenger mile, government subsidies per passenger mile totaled 17.3¢. That is the deficit. The average airline fare on which the airlines made money was 11¢. The average bus fare on which the bus industry made money was 7.4¢. Amtrak's deficit per passenger mile outside the Corridor was about 1.6 times the average fare charged by the airlines and about 2.4 times the average fare charged by the bus lines.

Outside the Corridor where great distances are involved and where density of population is relatively low and where whole cities and geographic areas have developed based on the pervasive use of the private automobile, Amtrak simply cannot generate a valid market for its product. It does not have a market constituency today nor will it ever develop one. None of the apologists for Amtrak really face up to this fundamental fact. They keep talking about the need for more time, the need for more frequent service, the need for more speed and service realiability to enable Amtrak to prove its worth. A Washington Post Editorial of February 6, 1979, (Attachment III), referring to the proposals for the restructuring of Amtrak sums it up this way:

> "Congress may wish to make some minor changes in the proposal Secretary Adams is sending to it, but it should not make many. The surprise is not that he wants to cut Amtrak so sharply, but that he is willing to leave so much of it in operation. Long-haul passenger trains may be energy efficient, useful to have around in case of an emergency, and fun to ride. But so are horses. Without travelers who want to use them, both modes of transportation have become expendable on a national long-distance scale."

Recognizing the meagerness of Amtrak's ridership, supporters for Amtrak rely heavily on certain polls taken in recent years to show broad public support for Amtrak. The Lou Harris poll in February 1978 has been construed by some advocates as a public mandate to upgrade and continue subsidization of Amtrak. Yet, only six percent of those interviewed said they would take a train as their first choice if going on a trip of 100 miles or more. Rail ranked last, far below airplanes and buses. In fact, among survey respondents actually expecting to take trips of 100 miles or more in the next few months, rail also ranks last -- four percent.[1]

The Hart Research Survey in March 1978, has also been touted as a mandate for Amtrak because over 50 percent supported keeping it as an "option." Still, only eleven percent of survey respondents indicated they had used a train in the last five years and 30 percent of those reporting train usage had only done so once during the period. The fundamental problem with this poll and others like it is that no one poses to the public what the costs would be for improvement and what could be expected in the way of future subsidies if the proposed improved service were introduced. They are a general statement of support without real meaning until the matter of cost is clearly set forth in the questionnaire.

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[1] The Continuing Mandate to Improve Inter-City Rail Passenger Travel, Final Report, Louis Harris and Associates, Inc., March 1978 (conducted for Amtrak).

The true test of public support and demand for this service lies in the willingness of the public to use and pay for it. In effect, the American public has voted clearly through its lack of patronage of Amtrak service.

The National Transporation Policy Study Commission[2] states the case against Amtrak very succinctly:

> "The weight of evidence presented here and in the materials cited provide little justification for the Amtrak subsidy. The system does not contribute to the overall quality or quantity of intercity travel available to the American public. There is nothing truly unique about rail that warrants special consideration. In all the elements of service that we have examined, Amtrak performs no better, and usually less well, than the other modes. Up to this point, it cannot be said that Amtrak is a vital element of the intercity transport network or that it contributes 'balance' to the nation's passenger transport system."

Mr. Chairman, the General Accounting Office has made several reports to Congress having to do with Amtrak. One of the most cogent statements concerning the public need for Amtrak was made on March 20, 1978, by Mr. Henry Eschwege, Director, Community and Economic Development Division before the Subcommittee on Transportation and Commerce, House Committee on Interstate and Foreign Commerce, on Amtrak's Costs and Operating Results. It was as follows:

> "......the reasons why demand does not exist in spite of Amtrak's low fares (fare revenue averaged only about 35 percent of operating costs) are fairly straight-forward. Air travel is much quicker and more convenient for time-sensitive travelers, smoother and more comfortable (especially considering the comparatively short time the traveler must occupy the airplane), and, on longer trips, almost the same price as Amtrak. Buses go more places than Amtrak, usually at a lower cost to the travelers. Automobiles give travelers more control over where and

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[2] National Transportation Policy Study Commission, Special Report #2, "Amtrak - An Experiment in Rail Service" Sept. 1978, p. 121.

> when they go, are convenient to have at the destination, and, on the marginal basis, most people use to make travel decisions, are perceived as being much cheaper than the train, particularly when more than one traveler is involved. Except in NEC; where the train offers comparatively high speed, competitive fares, and where the major cities along the route have public transportation minimizing the convenience value of the automobile; the train simply does not offer the intercity traveler a service that is as good as the alternatives available. Demand for rail passenger service is not likely to increase very much unless this situation changes."

Amtrak advocates maintain that the field hearings conducted in 1978 by the Rail Services Planning Office demonstrated overwhelming support for maintaining Amtrak services. This should be analyzed critically. The nature of these hearings is such that they provide a forum for special interest groups to make a major presentation. The average citizen simply does not respond to them. As a result, special interest groups can show overwhelming support for a matter and yet still represent only a small fraction of the general public. It is not surprising that the National Association of Railway Passengers (NARP) turned out a good crowd in 1978. Its members are quite supportive of Amtrak but, in every sense of the word, they are a special interest group and do not represent generally the community in which they live. NARP is an effective lobbying organization and it was quite helpful in setting up advance teams to generate interest in the subject.

It is most interesting that the National Taxpayers Union and many individual taxpayers took an active role in these hearings. It is also meaningful that some individual Chambers of Commerce passed resolutions questioning the need for a continuation of Amtrak services. For example, the Chamber of Commerce of Lincoln, Nebraska, passed a resolution which among other things, "Urged the Department of Transportation and Congress to closely scrutinize all Amtrak schedules, retaining only those trains actually returning their operating costs."

Thus, there really wasn't any spontaneous broad public constitutency which strongly supported continuing the long-haul trains in operation. The basic supporting groups were and still are comprised of rail labor, some of the few passengers who ride Amtrak, and a rather narrowly conceived special interest group organized for the sole purpose of lobbying for Amtrak, The National Association of Railway Passengers (NARP).

The essential fact of the matter is that the marketplace determines the degree of public support for Amtrak. It is those who ride it who determine the degree of public interest. The low ridership on the long-haul trains and the enormous losses on the trains speak eloquently in the only voice this government should listen to.

You are faced with the question of what happens if we follow the Administration's proposals as outlined in the special supplement dated February 6, 1981, OMB Working Papers. Who gets hurt and by how much?

Amtrak, of course, would be forced to increase rates significantly. In all probability, virtually all long haul trains outside the Northeast Corridor would be terminated. However, there would be little or no impact on the general public. Enclosed as Attachment IV is a set of maps of the forty-eight states which show both Amtrak and bus routes on the same page. The maps clearly demonstrate that there is virtually no place in the country where the intercity bus service does not directly parallel Amtrak. Public transportation will continue to exist over each Amtrak route.

Some current rail traffic will go by bus, others by automobile, and some by air. Some test studies have indicated that with this kind of dispersion, less fuel would be used in carrying that traffic than that now required by Amtrak. If the intercity bus were to carry it all, we would save more than two-thirds of the fuel that Amtrak would have used.

In the Northeast Corridor, and perhaps between San Diego and Los Angeles, Amtrak should be able to raise its rates to meet The President's goal of 80 percent fare coverage by 1985 and our suggested goal of 100 percent by 1986, and still continue to be a viable entity in these areas. The Northeast Corridor is, of course, the most important rail market in the country. Interestingly enough though, while most people think of terminal to terminal service when thinking of the Corridor, the bulk of the travel along that spine is local in nature. It consists of traffic between New York and Philadelphia or Trenton or between those cities and Baltimore, Washington and between each other. The average revenue per passenger along the corridor was only $10.96 in 1980.The average length of haul on the corridor is less than 1/2 the distance between Washington and New York.

Amtrak has a valid marketing constituency in those markets and charging its full costs will not be an intolerable burden on the public. Those passengers who do not wish to pay the actual cost of rail service will be welcomed back by the intercity bus companies. Incidentally, from 1971 to 1976, intercity bus traffic on the corridor dropped 27 percent as compared to a nine percent decline in regular route traffic throughout the remainder of the country.

I believe that a large number of passengers will pay the full cost of rail service just as they do when they fly or when they travel by bus. But, most importantly, the mandated goal is a necessary incentive to force Amtrak to operate more efficiently. The last eight years' experience clearly shows that Amtrak will not become more efficient until it finds that it cannot automatically get its deficits covered by subsidy and understands that survival depends on its making a profit, or at least breaking even.

The supporters for Amtrak argue that it is the only acceptable fuel efficient alternative to the car and that people will not ride the bus.

Neither of these arguments are valid. First, Amtrak is simply not a fuel efficient system of transportation. In 1979 it averaged only 47 passenger miles per gallon of diesel fuel consumed even with the higher load factors due to the gasoline shortage. This compared to 144 passenger miles for the bus and to 42 passenger miles per gallon for the car. Over a period of time, the mandated improvements in fuel efficiency for cars will more than offset any possible improvement in Amtrak.

The fundamental difference in fuel efficiency between Amtrak and the bus is caused by the great difference in empty operating weight of the bus and the passenger train per seat operated. The bus as currently operated with normal seating, has an empty operating weight of about 630 pounds per seat. A study by Boeing[3] some years ago showed that Amtrak's empty operating weight per seat ranged from 1700 pounds to 4,000 pounds in the Northeast Corridor and that on long haul trains it ranged from about 6,600 to 20,000. The fundamental reason for the difference is the space provided the bus passenger, 5.1 to 5.6 square feet as compared to a range of 11.5 to 14.5 for trains in the Northeast Corridor and 24.9 to 77.7 square feet per passenger in the long haul trains.

Attachment V shows the actual consumption of fuel by the various modes for the past several years. It quotes a recent article in the Passenger Train Journal which concludes, "the body of evidence for now is that the passenger train as it is currently being operated, including the Northeast Corridor, is less energy efficient than the bus, and it ain't running too good a race with the family car."

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[3] Intercity Passenger Transportation Data, Volume II, Energy Comparisons . Boeing Commercial Airplane Company, May 1975 pp 51 and 215-224

Many supporters of Amtrak have said they would simply not ride the bus as an alternate. That is perhaps true of some people who ride Amtrak, but it is not true of all. There is much overlap in demographics of Amtrak customers and those currently riding the bus lines. With a termination of Amtrak service today, the bus will be used by a large number of Amtrak customers, and over a period of time, in an energy short world, many different qualities of bus services will be offered. If the higher quality of service operated by Amtrak were important to Amtrak customers, it can be made equally available by the intercity bus at lower total costs and with more fuel efficiency than by train.

Buses currently provide a good passenger service. The ride is of good quality. It is relatively free from vibration and noise. Its reclining seats are comfortable. Air conditioning is good and reliable. Windows are large enough for sightseeing, and all modern buses have toilets and wash rooms. However, today bus service is organized to provide the lowest cost alternative to the car and this limits the amount of space which can be allocated per passenger and on board amenities cannot be provided for economic reasons.

This can be changed. In fact, it is already beginning to change. In the last two years there has been a substantial proliferation of a variety of services catering to a more affluent clientele -- executive coach interiors, hostess personnel, and beverage service, three abreast rather than four abreast seating. We have not been able to do this successfully before now although the industry has tried. Amtrak pre-empted the demand for first class surface transportation. George Hilton in his American Enterprise Institute study entitled Amtrak: The National Railroad Passenger Corporation states the problem precisely, "... the existence of Amtrak inhibits development of higher quality bus service. Because Amtrak is available to the people who demand a high quality of service in spite of a low valuation of time, bus service with reserved seats, on-board food and beverage facilities, or attendants is assured of the failure it has typically had."

With or without Amtrak there will be a significant proliferation of bus services organized for the business traveler and the affluent vacationer. It has already begun with the change in trends since the second fuel shortage developed. But, without Amtrak competition, the proliferation will be more extensive. Whether the bus industry will ever find it feasible to offer sleeper services on buses, I don't know, but sleeperette seats are a real possibility for longer haul bus trips, at costs well below that of comparable Amtrak service.

The exciting thing about the use of the intercity bus for substantially upgraded services is that it continues to be a relatively economical vehicle and would still be much more fuel efficient than Amtrak even if you reduce the seating configuration by half in installing luxury seats. Furthermore, like aircraft interiors, bus seats are installed on tracks and this permits a bus to be assigned successively to several services with differing seating arrangements without the necessity to isolate equipment.

Beyond that of course, the bus is as ubiquitous as is the private car. It is not limited to the 22,500 miles of track over which Amtrak is scheduled but literally is able to use the entire highway system of this country. It is available to business or for private use in charters, tours , and special operations of all kinds as well as in augmented regular route services.

Its technical development has only just begun as far as its adoption as a national system of transportation supplanting Amtrak. Buses can be made longer (45 feet) and wider, (102 inches). Experimentation has already begun with double deckers. Research can reduce cabin noise and vibration levels still further. Research in improved fuel efficiency is in process with gas turbine buses now in experimental services, and this effort can be accelerated . The bus can be made into a truly luxurious vehicle when a market for that develops.

The intercity bus industry is ready to take on the job. It really only needs the recognition that it can play the key role in our intercity transportation system and that it is the most fuel efficient mode of travel by far -- that it does provide the lowest cost service possible regardless of the level of luxury specified and that it is a vital natural resource which needs to be encouraged rather than discouraged by public policies.

If The President's recommendation does become law and Amtrak is forced to terminate a substantial number of its trains, the intercity bus industry can provide a substitute service ranging from spartan low cost services to the most deluxe. It will do this wholly with private funds from its own resources.

It will not be a ward of the public competing with the poor, the handicapped, and the sick for taxpayer support.

ATTACHMENT #1

MEMORANDUM ON THE ECONOMIC IMPACT OF AMTRAK ON THE INTERCITY BUS INDUSTRY

Amtrak's economic impact on the intercity bus industry has been one of the major factors which have adversely affected earnings of the industry since 1971. It is not the only factor which has affected bus earnings adversely but it has made its contribution and it has done so by using its subsidies to reduce its fares to the level of the bus industry.

Amtrak was incorporated in 1971 to operate rail passenger services at a profit. However, after its start up, the basic philosophy of its development was changed and a program of general expansion was adopted regardless of profitability. Ridership became the principal test of success and Amtrak increasingly adopted policies which would enhance ridership regardless of costs. It did this, among other ways, by using its rate freedom to CUT its rates rather than raise them. As a result, Amtrak rates which averaged about 25 percent more than comparable bus rates in 1972 actually dropped below bus rates in many critical markets. Rail passenger services and regular route intercity bus services became directly competitive in fares for the first time. Prior to this, the differential in fares between the two reflected, at least partially, the difference in the level of comfort and space provided each passenger on trains as contrasted to intercity buses.

Amtrak and intercity bus services are directly competitive on each mile of Amtrak routes. Attachment IV shows the detailed route comparison state by state. Bus and train services have been competitive since bus services first began in the early decades of this century. No one disputes this except Amtrak executives who simply state that they do not compete with buses. Actually, competition is very intense in the Northeast Corridor and others where Amtrak's schedule frequency is high and is of varying intensity throughout the remainder of the country. Except for the higher percentage of passengers traveling in the corridors on Amtrak on business, the demographics of the travelers on each mode are quite similar.

In 1979, Amtrak carried 4.9 billion passenger miles over 27,000 miles of routes. The intercity bus industry carried 14.0 billion passenger miles on over 279,000 miles of route. Thus, on one-tenth the route mileage served by the intercity bus industry, Amtrak carried a volume of passenger miles equal to 35% of that carried by the intercity bus industry in scheduled services.

Amtrak's passenger train service in the United States is of higher quality than service by the intercity bus industry.

1) It is faster, particularly in the Northeast Corridor (except when track improvement impairs speed). Trains can go 60 to 80 miles per hour outside the corridors and in excess of 100 miles per hour in the Northeast Corridor. Buses are limited to the maximum highway speed of 55 miles per hour.

2) Much more space is provided in train service than is provided by the intercity bus. In a study prepared by Boeing in 1975, it was found that in the Northeast Corridor trains provide 11.5 to 15.5 square feet of space per passenger while long haul trains provide from 24.9 to 77.7 square feet per passenger. The standard bus used in intercity service provides only 5.1 to 5.6 square feet per passenger.[1/]

3) Train services include snack and dining car services, lounge cars which in some cases include a piano bar, and as Amtrak ads assert, constitute "A cheerful place to enjoy the comforts of rail travel with friends, family and fellow travelers" and other facilities that you might find in your neighborhood tavern. Amtrak trains also have individual sleeping berths, bedroom, roomettes, deluxe bedrooms, special bedrooms, or economy bedrooms.

[1/] Intercity Passenger Transportation Data, Volume II, Energy Comparisons, Boeing Commercial Airplane Company, May 1975, pp. 51 and 215-224.

Amtrak is much more than just a transportation system. It is a combination of a hotel or resort and a weekend vacation. Some have likened Amtrak trains to the ocean liners with their amenities.

On the other hand, intercity bus service is designed to provide good basic transportation at the lowest possible cost. It is not a "happening" between Chicago and Kansas City, for example. The ride is of good quality. It is relatively free from vibration. Reclining seats are comfortable. Air conditioning is good and reliable. Windows are large enough for sightseeing and all modern buses have toilets and washrooms. Bus services are organized to provide the lowest cost alternative to the car and this simply limits what can be provided the passenger in space and on-board amenities.

These differences in spaciousness, speed and service are very meaningful. They explain easily the reason most people say they would prefer to take the train instead of the bus when comparing the two. They also partially explain why Amtrak's costs are so high as compared to the bus.

But they only complicate the explanation as to why it has been necessary for Amtrak to lower its rate level until it basically is the same as that charged by the intercity bus industry. In fact, Amtrak's rate policies appear to the bus industry as being predatory in nature. It is only by its access to public subsidy that Amtrak is able to cut its rates to the level of the bus.

Unquestionably, in very large part, Amtrak's steadily rising need for subsidy reflects these pricing strategies. In fiscal 1972 Amtrak recovered 50 percent of its cost of operation from revenue receipts. By fiscal year 1974, the percentage of expenses covered by revenues had risen to 55. In FY 80, however, this had dropped to 37.8 percent. This drop occurred in large part because of management decisions to lower fares against its common carrier competitors and to add trains regardless of demand and was not due to events over which management or Congress had no control.

Amtrak filed its first unique consolidated tariff on January 16, 1972, which restated the basic rates which had been in force when it commenced operation on May 1, 1971. In Table 1, we have compared basic Amtrak one-way rates in existence in 1971 with those of the intercity bus industry on a number of representative routes. At that time, on an average, Amtrak's one-way rates on these segments exceeded intercity bus rates by 25.9 percent. Since then, however, Amtrak has not increased its rates commensurately with its cost inflation and now its one-way fares on these same routes are only 12.1 percent more than the average charge by the intercity bus.

The comparison of one-way fares tells only part of the story. In Table 2, we have compared excursion fares in effect today with the lowest comparable round-trip or excursion fares in existence on each of these routes in 1971. In 1971, the bus industry offered round-trip fares at 190 percent of one-way fares. Amtrak did not offer any reduction for round trips and only a few excursion fares were in existence, and in 16 out of 20 markets shown, Amtrak fares were significantly higher than bus. In 1980, the situation is reversed and Amtrak is the same or lower than bus in 15 markets. Table 3 compares the average fares in effect in these markets in 1971 for both the bus industry and Amtrak and the average rates which are now in effect. In 1971 Amtrak's lowest round trip or excursion fare in these markets averaged 24.8 percent above those of the bus industry. Amtrak now charges an average of about 1.0 percent less in these markets for its lowest round trip or excursion fare than does the bus industry.

In September 1979, Greyhound Lines, Inc. filed a complaint with the Interstate Commerce Commission charging that fares of Amtrak between a) Chicago and St. Louis; b) Chicago and Detroit; c) Los Angeles and San Diego; d) Chicago and Milwaukee; and e) Seattle and Portland were not supported by a reasonable pricing concept and constituted an unfair and predatory practice. Greyhound also challenged Amtrak fares between Washington, D.C., New York City, Boston and other points. Although Administrative Law Judge Paul Cross ultimately discontinued the proceeding because he found no specific injury to the traveling public was shown to exist, he did find:

1) "that the assailed fare practices of Amtrak concerning the five issue routes do not contribute to going concern value and worsen the deficit operations of Amtrak; and

2) that the assailed fare practices of Amtrak concerning the five issue routes materially impair the profit position of Greyhound."

To illustrate Amtrak's failure to maximize its revenue and minimize its deficit operations over its entire system, Greyhound offered the following example in its complaint against Amtrak before the ICC:

> On December 1, 1971, Amtrak lowered its one-way fare between New York, NY, and Boston, MA, from $12.75 to $9.90. Amtrak followed by advertising its service as "cheaper than bus." In response, Greyhound's fare was reduced from $10.45 to $9.65 (25¢ below Amtrak's reduced fare) to prevent Amtrak from continuing to advertise "cheaper than bus" and to remain competitive in the market.
>
> Even today (February 7, 1980), Amtrak's one-way fare between Boston, MA, and New York, NY, is $24, compared to Greyhound's standard one-way fare of $25.30 and Amtrak's round-trip excursion fare is $31, compared to Greyhound's standard round-trip fare of $48.10. In order to remain competitive, Greyhound continues to file reduced one-way and round-trip excursion fares at 25¢ below the Amtrak fares in order to remain competitive and this action results in complainant selling its one-way fares at $1.55 below its authorized fare level, and round-trip at $17.35 under its authorized fare level. A recent one-month study shows Greyhound's one-way sales between Boston and New York at 7,930 and round-trip sales at 7,997 passengers. These sales at the depressed fare level resulted in a loss of $12,291.50 on the one-way sales and $138,747.95 on the round-trip sales, for a total of $151,039.10. On an annualized basis, this would mean that on this route alone Amtrak's policy of maintaining depressed fares costs $1,812,469.20. (Costs Greyhound)
>
> The same example could be made between New York and Washington, where the Amtrak and Greyhound one-way fare is the same. However, the Amtrak round-trip excursion fare is $40.50 and Greyhound's standard round-trip fare is $49.40, which was reduced to $40.25 in order to be competitive with the reduced Amtrak fare. Complainant's recent one-month traffic study shows 5,081 round-trip sales between New York, NY, and Washington, DC, resulting in a loss of $46,491.15 during the one-month period because of the reduction from the standard round-trip fare resulting from Amtrak's artificial fare level. Annualized, this amounts to $557,893.80.
>
> Many additional round-trip excursion fares have been filed by Greyhound between points intermediate to Boston and Washingron to meet the reduced round-trip excursion fares of Amtrak, which reductions have a damaging impact on complainant's revenues. Additional examples where Greyhound established other round-trip excursion fares to remain competitive with Amtrak are: between Boston and Philadelphia, where the excursion fare is $20.65 under the authorized fare level; between Boston and Washington, where the reduced fare is is $36 under Greyhound's authorized fare level; and between New York City and Philadelphia, where the reduced round-trip is $4.30 under the authorized fare level.
>
> Except for one brief period since 1971, Greyhound has maintained many one-way and round-trip excursion fares in the Washington-Boston corridor in order to remain competitive with the Amtrak fares in this area. Where Amtrak's reduced fares are in effect, complainant has been unable to implement several general rate increases and, more recently, complainant has been unable to assess the interstate fuel surcharge authorized under Ex Parte 311 because to do so would have resulted in Greyhound's excursion fares again being higher than those of Amtrak. To our knowledge, Amtrak has never instituted a fuel surcharge even though ICC-regulated common carriers of passengers and freight have been granted several fuel surcharge increases since Amtrak's last general increase.
>
> . . . . .

Amtrak's economic impact on the intercity bus industry has been the subject of a study by the General Accounting Office. In a document published January 12, 1979, it finds that Amtrak does compete with the intercity bus industry and that such competition is made possible by the large Federal subsidies Amtrak receives. It states "There is little question that subsidized Amtrak service has attracted customers that would have otherwise ridden buses."

The GAO believes that its analysis supports the following conclusions:

> "Bus ridership would definitely be greater if Amtrak service were cut back or terminated. If all Amtrak service were terminated, the increase in revenue passenger miles of regular-route service of Class I bus companies could be as high as 11 percent. Less drastic changes in Amtrak policy, such as cutting back service outside of the Corridor by one-fourth, might add to bus ridership by as much as 2 percent.
>
> Competition between Amtrak and intercity buses is particularly keen in the Corridor, which comprises more than a quarter of Amtrak's market. The elimination of Amtrak could result in a 15 to 30 percent increase in revenue passenger miles for the bus industry in the Corridor.
>
> Amtrak's fare reductions in the Corridor have diverted riders from intercity buses and have induced bus companies to reduce fares. Lower profits have been the result.
>
> In order to reestablish the fare differential that existed prior to Amtrak, Amtrak's current one-way fares (for example) would have to rise 28 percent from New York to Boston and 16 percent from New York to Washington.
>
> If Amtrak fares were increased, the effect on bus company revenues would depend on how they responded to the increased fares. Most likely, bus company revenues would increase.

These increased revenues could come from either (1) raising fares to collect more revenue per passenger or (2) retaining current lower fares to divert Amtrak riders. The extent to which bus companies would seek higher fares or increased ridership is uncertain. It would depend on market conditions and regulatory actions.

The effect an increase in bus ridership would have on profits cannot be exactly determined. Bus company data indicate that the increased ridership could probably be accommodated with small increases in expenses, resulting in greater profits.

If, however, Amtrak limits future fare increases to increases in the Consumer Price Index, bus companies' profits could be squeezed even more.

Table 1

A Comparison of Typical Intercity Bus and AMTRAK One-Way Fares
October 1971 and October 1980

	October 16, 1971		October 26, 1980	
	Bus	AMTRAK	Bus	AMTRAK
New York, N.Y. -				
Boston, Mass.	$10.45	$12.75	$27.70	$29.50
Philadelphia, Pa.	4.85	5.25	12.70	14.25
Washington, D. C.	11.20	13.00	28.45	32.00
Pittsburgh, Pa.	19.10	25.25	46.00	51.00
Miami, Fla.	52.45	59.01	119.95	121.00
Buffalo, N.Y.	19.40	22.75	46.80	46.50
Chicago, Ill.	36.40	51.25	87.30	88.00
Chicago, Ill. -				
St. Louis, Mo.	$11.05	$13.50	$26.45	$29.00
Kansas City, Mo.	18.75	17.00	40.25	46.50
Milwaukee, Wis.	3.70	4.00	8.95	9.15
Minneapolis, Minn.	13.25	17.50	31.85	47.50
Detroit, Mich.	12.70	16.25	30.55	30.50
Cincinnati, Ohio	13.80	17.00	33.15	32.50
New Orleans, La.	31.90	45.00	76.60	83.00
New Orleans, La. -				
Memphis, Tenn.	$18.75	$19.00	$45.00	$45.50
Los Angeles, Calif. -				
San Diego, Calif.	$4.63	$4.75	$8.89	$13.50
San Francisco, Calif.	13.56	21.00	25.83	44.50
Phoenix, Ariz.	15.95	19.25	38.30	51.00
Seattle, Wash.	38.50	57.25	92.55	109.00
Seattle, Wash.				
Portland, Oreg.	$5.40	$6.75	$13.05	$18.00

Table 2

A Comparison of Typical Intercity Bus and AMTRAK Round Trip and Excursion Fares* October 1971 and October 1980

	October 16, 1971		October 26, 1980	
	Bus	AMTRAK	Bus	AMTRAK
New York, N.Y. -				
Boston, Mass.	$19.90	$19.80	$37.75	$38.00
Philadelphia, Pa.	9.25	10.50	21.75	22.00
Washington, D.C.	21.30	26.00	47.75	48.00
Pittsburgh, Pa.	36.30	50.50	86.75	87.00
Miami, Fla.	86.55	96.68	153.00	154.00
Buffalo, N.Y.	36.90	45.50	88.95	59.00
Chicago, Ill.	69.20	102.50	123.75	124.00
Chicago, Ill. -				
St. Louis, Mo.	$21.00	$27.00	$50.30	$43.50
Kansas City, Mo.	35.65	34.00	76.50	70.00
Milwaukee, Wis.	7.05	7.90	17.05	13.00
Minneapolis, Minn.	25.20	35.00	66.55	81.00
Detroit, Mich.	24.15	32.50	45.75	46.00
Cincinnati, Ohio	26.25	34.00	63.00	65.00
New Orleans, La.	60.65	68.00	145.55	133.00
New Orleans, La.				
Memphis, Tenn.	$35.65	$29.00	$85.50	$78.00
Los Angeles, Calif.				
San Diego, Calif.	$7.85	$9.50	$16.89	$27.00
San Francisco, Calif.	24.41	32.00	49.08	76.00
Phoenix, Ariz.	30.35	38.50	72.80	87.00
Seattle, Wash.	73.15	114.50	175.85	153.00
Seattle, Wash.				
Portland, Ore.	$8.30	$8.95	$19.40	$27.00

*The lower of round-trip or excursion fare.
Sources: Bus and AMTRAK tariffs.

Table 3

Comparison of Average Fares in Representative Markets
AMTRAK and Intercity Buses
October 1971 and October 1980

	Bus	AMTRAK	Percent AMTRAK Greater Than Bus
	Average One-Way Fare		
1971	$17.78	$22.38	+ 25.9
1980	$42.02	$47.10	+ 12.1
Percent Increase	136.3	+ 110.5	
	Average Round-Trip or Excursion Fare		
1971	$32.95	$41.12	+ 24.8
1980	$72.20	$71.58	- 0.9
Percent Increase	119.1	+ 74.1	

Source: Tables 1 and 2

ATTACHMENT II

ECONOMIC FOCUS/ROBERT J. SAMUELSON

Getting Amtrak on Track

In the hall of fame for government waste, they should reserve a room—or perhaps a whole wing—for Amtrak.

The numbers on Amtrak (National Railroad Passenger Corp.) are astonishing. In fiscal 1978, the government will pay about $650 million to subsidize Amtrak's trains. Since its start in 1971, Amtrak has swallowed almost $3.4 billion in government funds or government-backed loans. By 1982, annual subsidies will approach $1 billion—even if the system is scaled back as proposed by the Transportation Department. Ticket revenues now cover only about 37 cents of every dollar in costs.

For this colossal outlay, Amtrak has performed very little social good. On many routes, it provides massive subsidies to middle and upper middle-class travelers. On the New York to Miami run, it subsidizes the average trip by about $122. Despite the mounting government aid, service has generally deteriorated. Nearly one-third of the trains regularly arrive more than 10 minutes late, a record worse than two years ago.

Nor is that all. Running with many empty seats, Amtrak probably wastes energy. Even if it doesn't, the potential for reducing energy use, pollution or congestion is small. Last year, Amtrak provided less than 1 per cent of intercity travel, about a third that of buses and a tenth that of airlines. Finally, by subsidizing competition to buses, Amtrak has hurt that industry's profits and encouraged bus owners to seek federal subsidies exceeding $100 million. Subsidies thus beget subsidies.

If nothing else, Amtrak stands as a shining example of the government's inability to eliminate wasteful programs. Trains enjoy an undeserved fashion. Their supporters refuse to ask the question: why should the government pay so much for so little? Amtrak survives on nostalgia, sheer inertia and muddled analysis that blames its problems on mismanagement.

Whatever mismanagement exists, the genuine source of Amtrak's failure is more fundamental. Trains simply cannot compete—in time, cost or travel flexibility—with planes, buses and automobiles. Business executives won't trade two hours on a plane for a day on a train. Family vacationers usually need their cars; even if they don't, train travel generally costs families more than car travel.

These simple realities explain why Amtrak was doomed from the beginning and why its continuation means throwing more good money after bad. To establish genuinely first-class service would require untold billions in track improvement, new equipment and more frequent trains. But most Amtrak trains don't cover their operating costs. To run more trains is to lose more money. Congress won't pay for that, but it has neither the vision nor the courage to embrace the logical alternative—put Amtrak out of business.

Ending programs like Amtrak ought to unite liberals and conservatives: liberals because they want to channel government dollars to more socially useful programs; conservatives because they want to squeeze government spending.

But, in fact, the political process does not work that way. The average Member of Congress—whatever his or her ideology—recoils at the incendiary idea of axing a whole program.

The political pains and pleasures don't balance. The federal budget has now grown so large (about $500 billion in fiscal 1979) that many otherwise sizable programs get lost. Often, the only people who know about spending cuts are spending beneficiaries. And no Member, as one aide said, "likes to cut services for his district."

Moreover, congressional courtesy being what it is, most Members defer to the recommendations of the relevant committees. Agencies pander to the key committee leaders. Amtrak simply runs trains through their districts, a practice best epitomized by the trains that run through West Virginia, home of Rep. Harley O. Staggers, chairman of the House Interstate and Foreign Commerce Committee.

Consequently, efforts to cut spending often take forms that are economically inefficient but politically painless. One trick is to reduce big-ticket purchases by the Pentagon, such as cutting the number of new fighters from 100 to 80. This saves money in the current year, but usually increases the government's ultimate costs. The extra planes are bought later, lengthening production runs and raising unit costs.

Another trick is to demand across-the-board cuts for an agency. The House, for example, recently mandated that the Secretaries of Labor and Health, Education and Welfare reduce their "controllable" spending by 2 per cent below congressional appropriations. This approach allows Congress the twin pleasures of voting for both higher and lower spending.

Congress has treated Amtrak with characteristic ambivalence. When subsidies surpassed $500 million (up from $40 million in 1971), it made slight reductions, but when Amtrak said it might discontinue some service, Congress forbade that and voted supplemental appropriations.

The sad thing about Amtrak is that train service has probably declined in the one area where it might be justified: the Northeast corridor. In the Northeast, population centers are large, intercity distances are short and auto and air congestion are high. In fiscal 1977, these trains accounted for 57 per cent of Amtrak's ridership, 31 per cent of its revenues and only 24 per cent of its costs. Unlike most other Amtrak trains, most of these actually cover operating costs (but not fixed investment expenses).

But to think that Congress might limit Amtrak only to the Northeast is to forget logrolling. Members outside the Northeast won't vote for the Northeast unless they have something for their own districts. Not surprisingly, Transportation Secretary Brock Adams's preliminary "reevaluation" of the Amtrak system—a final plan is expected by December—still would allow for a nationwide railroad system with a spiraling subsidy bill.

Adams conceded that Amtrak "spent large amounts of money" for a "relatively small segment of the traveling public." But he rejected ending Amtrak, saying, "There is a significant constituency for maintaining Amtrak . . . even among people who today do not frequently use it." That's a statement worthy of a former six-term Member of Congress. ☐

ATTACHMENT III

Washington Post 2/6/79

The Dismembering of Amtrak

LAST WEDNESDAY MORNING, Secretary of Transportation Brock Adams announced his proposal to cut almost in half the nation's railroad passenger network. On Wednesday evening, the Southern Crescent pulled out of Union Station here for the last time under the auspices of the Southern Railway. So much for riding the rails in style. The government, like the railroad corporations before it, has become convinced that most long-haul passenger trains deserve to live only in memories.

The evidence that Secretary Adams put forward to justify this dismembering of Amtrak is substantial. A 43 percent cut in the length of the network its trains serve will reduce the number of passengers it carries by only 9 percent and will save the nation's taxpayers about $1.4 billion in five years.

Regardless of how you feel about the particular train service that Mr. Adams has marked down for extinction, those numbers are too impressive to ignore. So are some other facts about Amtrak's operations. Amtrak collects from its customers only 37 cents for every dollar it spends; the other 63 cents come from the government. On some routes, it could save money by giving its passengers airline tickets instead of putting them on its trains. Its annual deficit has grown from $150 million to $575 million in six years.

No doubt there will be considerable anguish, both on Capitol Hill and elsewhere, over the specific cuts Mr. Adams has proposed. He wants to lop off all the routes Amtrak was forced to serve for purely political reasons, as well as many other routes that were picked on their merits. The network he proposes to retain is less than a skeleton of what once existed. Only on the East Coast and, to a lesser extent, in the area around Chicago will anything remain that deserves to be called a passenger railroad system.

We were among those who, at the beginning of this decade, urged the government to create Amtrak as a way of preserving a national passenger-train network. The railroads, with a few exceptions, had been killing passenger service through neglect. The idea that a well-planned system with good management and good service would attract enough travelers back to the rails seemed to us at least worth a try.

And Amtrak, for all its shortcomings, has tried, but outside of the Boston to Washington corridor, where the revival of the trains has been remarkable; the experiment hasn't worked. The lure of the airplane for business travelers and of the automobile for vacationers has been too great. For us, the evidence that Amtrak needed drastic surgery became overwhelming when the Southern Railway, which had refused to join Amtrak and insisted upon running its own train, finally gave up. Seven million dollars a year was more than it was willing to spend to keep the Crescent, its pride and joy for more than 80 years, on the tracks.

Congress may wish to make some minor changes in the proposal Secretary Adams is sending to it, but it should not make many. The surprise is not that he wants to cut Amtrak so sharply but that he is willing to leave so much of it in operation. Long-haul passengers trains may be energy efficient, useful to have around in case of an emergency, and fun to ride. But so are horses. Without travelers who want to use them, both modes of transportation have become expendable on a national long-distance scale.

(CLERK'S NOTE.--The AMTRAK Intermodal Maps are in the subcommittee's files.)

ATTACHMENT V

MEMORANDUM ON THE COMPARATIVE FUEL EFFICIENCY OF AMTRAK, THE INTERCITY BUS, THE AIRPLANE, AND THE AUTOMOBILE USED IN INTERCITY SERVICE

In fuel efficiency, intercity buses have demonstrated clear superiority over all other modes of passenger transport, including AMTRAK. In scheduled service, operating under 50 percent capacity, intercity bus companies achieved 116 passenger miles per gallon of diesel fuel in 1979. In charter and tour service, where passenger loads tend to be greater, the bus averaged 208 passenger miles per gallon. Combined average for the industry was 144 passenger miles per gallon in that year. By comparison, AMTRAK averaged only 47[1] and the automobile was approximately 42.

Fuel consumed by AMTRAK during 1979 totaled 104.3 million gallons of diesel fuel and diesel-fuel equivalent of electric power used. The 4,867 million passenger miles of travel provided by AMTRAK's expenditure of fuel could have been provided by bus for less than 34 million gallons, only 32 percent of the fuel consumed by AMTRAK. The resulting annual saving in fuel requirements (in excess of 70 million gallons) would be more than sufficient to power the present intercity bus industry one year out of every four.

Confirmation of this comparative pattern is reported by a broad range of authorities. For instance, a study by the Boeing Commercial Airplane Company reports averages ranging between 94 and 162 passenger miles per gallon for bus operations in 10 representative city-pair markets as compared with averages ranging between 19 and 65 passenger miles per gallon for railroad and between 19 and 52 for automobiles.[2] The Comptroller General of the United States notes: "AMTRAK could help the Nation to achieve its goals of energy conservation and cleaner air by persuading travelers to switch from automobiles to train, although a recent Department of Transportation study shows that buses are better in both characteristics."[3] The Interstate Commerce Commission, in a reference to U.S. Department of Transportation Working Papers of September 1977, notes that ". . . intercity buses are from two to seven times as fuel efficient as alternative modes."[4]

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[1] Fuel consumption and passenger-mile figures from the most recent available R-1 report by AMTRAK to the Commission (ICC, calendar year 1979), with conversion of electric power to diesel-fuel equivalent on basis of 12.92 kilowatt hours per gallon. Ignoring all use of electric power, AMTRAK averaged only 62 passenger miles per gallon.

[2] Intercity Passenger Transportation Data, Vol. 2, Energy Comparisons, Boeing Commerical Airplane Co., May 1975, pp. 215-225.

In a 1978 study for the National Transportation Policy Study Commission, the following conclusion is stated:

> It should be noted that bus outperforms rail in every market. If traffic currently diverted to AMTRAK had been diverted to bus, the fuel savings would be much larger. If all AMTRAK traffic were carried by intercity buses, an additional 38.3 million gallons would be saved.[5]

The Congressional Budget Office (CBO) concludes as follows with respect to energy efficiencies of the domestic transport modes:

> Bus is the most energy-efficient mode, air is the least efficient, and rail ranks better than auto in the Northeast Corridor but slightly worse outside the Corridor. In the Northeast Corridor, bus is far more energy-efficient than rail, while air is far less energy-efficient. Outside the Northeast Corridor, bus is far more energy-efficient than rail, auto is roughly the same as rail, and air is far less energy-efficient than rail.[6]

Even in the New York-Washington segment of the Northeast Corridor, comparatively heavy rail travel volume is not reflected in greater fuel efficiency for AMTRAK. Figures reported to the ICC reflect an indicated average for metroliner and conventional trains between these points of between 42 and 72 passenger miles per gallon of diesel fuel equivalent.[1] The above-mentioned study by the Boeing Commercial Airplane Company reports results in the lower end of this estimated range -- 43 passenger miles per gallon. Even with improvements in equipment and rehabilitated rights-of-way projected for 1990, the Department of Transportation forecasts that, at present load factors, AMTRAK can then achieve only about 59 passenger miles per gallon of diesel-fuel equivalent in the Corridor.[7]

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[3] Should AMTRAK Develop High Speed Corridor Service Outside the Northeast? Comptroller General of the United States, 1978 (CED-78-67), p. 29

[4] The Intercity Bus Industry, A Preliminary Study, Interstate Commerce Commission, May 1978, p. 18.

[5] AMTRAK: An Experiment in Rail Service, Dr. Frank P. Mulvey, Special Report No. 2, National Transportation Policy Study Commission, September 1978, p. 71.

[6] The Current and Future Savings of Energy Attributable to AMTRAK, A Staff Draft Analysis, Congressional Budget Office, May 1979, p. 20.

[7] Final Programmatic Environmental Impact Statement, Northeast Corridor Improvement Project, U.S. Department of Transportation (FRA), June 1978, Vol 1, p. 3-111.

Results for routes in other areas are particularly poor in this respect. The Department of Transportation notes that "overall, in FY 1977, non-Northeast Corridor routes used about 96 million gallons of fuel or about 23 million gallons more than would have been used if all passengers had traveled by automobile (at 2.5 people per car and 18 mpg) and the mail had been carried by truck."[8]

The greatly superior fuel efficiency of bus transportation as compared with rail reflects the fact that rail passengers are provided substantially more luxury in terms of averages per passenger seat for square feet of interior area and train weight. The above-noted study by the Boeing Commercial Airplane Company finds that intercity buses seating 43 to 47 passengers provide averages of 5.1 to 5.6 square feet of floor area per seat, a third to a half as much as on short-distance trains (11-1/2 to 14/-/4 square feet on Washington-New York, Chicago-St. Louis, and Los Angeles-San Diego trains) and less than one-fourth of the corresponding averages on long-distance trains with their added amenities such as dining and sleeping cars (24.9 to 77.7 square feet per seat).[2] In terms of weight, intercity buses, according to the Boeing Study, average 630 pounds per passenger seat, as compared with 1,700 to 4,000 pounds per seat for short distance trains and 6,600 to 20,000 pounds for long-distance trains. Despite theoretical claims of superior fuel efficiency for steel wheels on steel rails, the vastly larger and heavier rail cars and locomotives can only result in much less fuel efficiency than the smaller, lighter buses. The same factors suggest also that rail travelers should pay more for the greater comfort and amenities provided.

It should be noted from the enclosed table that AMTRAK's 1979 fuel efficiency is slightly better than that of the automobile when used in intercity service, (as calculated for 1978, the most recent year in which data is available). AMTRAK's supporters contend that AMTRAK's fuel efficiency will improve further with the delivery of new equipment and with the rehabilitation of the tracks. This may be true to some degree; however, the Department of Transportation has mandated major improvements in fuel efficiency of the automobile. The average automobile produced in 1985 should have a fuel efficiency approximately 53% better than those produced in 1978. There is no possible improvement in

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[8] A Reexamination of the AMTRAK Route Structure, U.S. Department of Transportation, May 1978, -. 3-22.

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train efficiency which would compare with the mandated improvements in the automobile. In fact, any attempt to speed up AMTRAK's service, such as those proposed for the Northeast Corridor, could well result in a deterioration in fuel efficiency rather than improvement.

As a recent article in the Passenger Train Journal concludes, "the body of evidence for now is that the passenger train, as it is currently being operated, including the Northeast Corridor, is less energy efficient than the bus, and ain't running too good a race with the family car."[9]

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[9] "Energy: How Does Amtrak Compare," Don Phillips, Passenger Train Journal, September 1980, p. 41.

Revenue Passenger Miles per Gallon of Motor Fuel.
Domestic Intercity Modes

	1972	1973	1974	1975	1976	1977	1978	1979
Intercity Bus								
Regular-route intercity service	111	115	121	115	110	115	113	116
Charter and special service	201	201	208	208	208	203	201	208
All service[1]	132	133	145	140	137	140	141	144
AMTRAK[2]	38	39	46	39	44	41	38	47
Automobiles	40	39	40	41	41	41	42	N/A
Airlines (certificated)	15	15	17	18	19	20	22	24

N.A. - Information not available.

[1] In terms of bus miles per gallon, the estimated averages are: 1972 - 6.0, 1973 - 6.0, 1974 - 6.2, 1975 - 6.2, 1976 - 6.1, 1977 - 6.0, 1978 - 6.0, and 1979 - 6.0.

[2] Including estimated diesel-fuel equivalent of electric power used.

Sources: Intercity bus -- Estimated by American Bus Association on basis of carrier reports to Interstate Commerce Commission, unpublished carrier data, and intra-industry relationships.

AMTRAK -- R-1 Reports to ICC except diesel equivalent for electric power, which is estimated from reported electric power usage on basis of 12.92 Kilowatt hours per gallon.

Airlines -- 1972-1974: CAB Report to the Congress as required in section 382(a)(2) of the Energy Policy and Conservation Act of 1975; 1975-1979: Air Carrier Traffic Statistics for passenger miles and unpublished CAB data for fuel consumption.

Automobile -- Table VM-1 of Federal Highway Administration, Environmental Protection Agency figures and estimated relationships. Average load is estimated at 2.5 passengers, an estimate based on data reported by the Federal Highway Administration in its Nationwide Personal Transportation Study (1972) for automobile trips of more than 20 miles. Average vehicle miles per gallon for intercity travel are estimated as follows: 1972 - 16.2, 1973 - 15.8, 1974 - 16.2, 1975 - 16.3, 1976 - 16.5, 1977 - 16.6, and 1978 - 16.7, based on overall fuel consumption figures (per vehicle mile) reported by the Federal Highway Administration on its Table VM-1, allocated to local and intercity travel according to the comparative patterns for fuel efficiency for new automobiles reported by the Environmental Protection Agency and by the Department of Energy.

STATEMENT OF A. R. DE LA CRUZ, EXECUTIVE DIRECTOR, POLICY AND PROGRAMS, AMERICAN PUBLIC TRANSIT ASSOCIATION

ACCOMPANIED BY:

RONALD HARTMAN, DIRECTOR, PLANNING AND POLICY ANALYSIS
JOHN H. INGRAM, CHIEF, GOVERNMENT AFFAIRS

Senator ANDREWS. Our next witness is the American Public Transit Association, Mr. Jack Gilstrap.

Mr. DE LA CRUZ. Yes, Mr. Chairman, Mr. Gilstrap was not able to attend and he has asked that I present our testimony.

My name is Ralph de la Cruz, and I am executive director for policy and programs for the association.

Mr. Chairman, our association represents the public interest in improving and expanding public transit service. Our membership includes about 350 public transportation operators, as well as an associate category, including State departments of transportation, local government agencies, manufacturers, and consultants.

Mr. Chairman, mobility is at the heart of the American economy, and transit plays a critical role in providing mobility in our urban centers, and increasingly in suburban and rural settings as well.

Public transportation offers access to jobs and carries consumers to markets and services. It is the alternative for millions of Americans who can no longer afford to own or operate a private automobile.

In congested areas, transit continues to provide the most efficient means for moving people and reducing demand for expanded highway and road capacity, and public transit has a proven record as an energy conservation tool, as well as a stimulus to development in the rebuilding of our communities.

In fact, in many of our cities, retailers are dependent on transit for upward of 50 percent of their customers, and this is true in rail-served cities such as Boston, as well as less dense bus cities like Portland, Oreg.

Many of our developers in the country active in our cities have recognized that transit access is an essential element in consideration of sites for new projects. At a time when the housing market is depressed, the location near a subway station or busline can mean the difference between a sale or not.

More and more, new urban retail, office, convention and housing complexes are being attracted by and tied to transit facilities which offer convenient and pleasing consumer access.

Mr. Chairman, the mobility provided by transit and the resulting economic benefits are the products of a partnership on all levels of government, the general public, and private sector.

As an example of the successes that we have had, I would like to turn to our ridership increases. This partnership has completely turned around the decline in transit ridership since the inception of the program in 1964. Ridership has grown some 23.5 percent since inception, and this increase has saved our cities the necessity of building some 280,000 acres of additional streets and highways.

This has allowed our cities to not only encourage an alternative to the automobile, but also has freed up significant sums that would have been used to expand highway capacity and use it for the compelling task of maintaining the existing highway investment.

With those points in mind, I would like to summarize three basic points within the administration's program:

One, while the Nation's current economic condition may require deferral of some capital expenditures, it is urgent that preliminary engineering and planning for new rail systems and extensions continue.

Two, funds appropriated for interstate transfer substitution projects historically have fallen behind levels necessary to keep projects moving, once the decision was made to withdraw interstate segments.

Currently there exists an $8.5 billion backlog in substitute project appropriation. We urge this committee to continue funding substitute transit projects at levels comparable, if not higher, than those of the past.

And three, nonurban formula grants have become an effective component in this Nation's efforts to expand transit usage. APTA remains committed to the continuation of this program and opposes a recommended reduction proposed by the administration in fiscal year 1982.

Mr. Chairman, you have also heard from one of our members, Mr. Wilson, speaking on 504, and I will only say that unless the courts or the administration moves to provide relief on this current rule, APTA will urge you to restrict the Department's fiscal year 1982 funds from being used to enforce this onerous regulation.

I must remind you, however, that even local option in lieu of current regulation would carry significant costs, and this fact strengthens our opposition to the elimination of the operating assistance program.

In summary, Mr. Chairman, the Federal Government and its involvement in transit began in the 1960's with the recognition that public transportation was essential to the vitality of commerce and quality of the American cities. A return to this initial intent of the Congress, and not a pullout of Federal involvement as proposed by the administration in the years ahead, in providing assistance to meet local goals is long overdue.

Thank you.

Senator ANDREWS. Thank you very much for most interesting testimony.

Let me ask one question. In dealing with the American Public Transit Association, is it your feeling that we have within our grasp all of the new technology we need, or should we continue to devote some of our resources in finding better ways of designing buses and rail systems and other methods of transportation?

Mr. DE LA CRUZ. We feel that there is need for improvement in a lot of the equipment that is provided in the industry. A lot of the equipment we are operating today represents the results of a substantial Federal commitment to research and development, and we feel if we are going to continue to provide better equipment, more productive equipment, we have to continue research and development efforts.

Senator ANDREWS. Once that is done, and once we have established a policy, the operation of that policy should be left largely to local input because they know the needs of their locality far better than somebody sitting down on the banks of the Potomac.

Mr. DE LA CRUZ. Yes; we feel that as an association, we are appreciative of the impact and effect that we have had in shaping some of the R. & D. projects in UMTA, and we will continue to bring our membership in to include manufacturers, operators, and the public who use the equipment into the R. & D. process.

Senator ANDREWS. Thank you very much.

[The statement follows:]

STATEMENT OF JACK R. GILSTRAP

Good morning, Mr. Chairman, members of the subcommittee. I appreciate the opportunity to comment on the Fiscal Year 1982 appropriation for the Urban Mass Transportation Administration. My name is Jack R. Gilstrap and I am Executive Vice President of the American Public Transit Association. APTA represents the public interest in improving and expanding public transit services. Our members include about 350 public transportation operators as well as an Associate category including state departments of transportation, local government agencies, manufacturers, and consultants.

Mr. Chairman, let me begin by stating that the transit community shares the President's goals for reducing inflation and stimulating the nation's economy. We believe public transportation can be a significant element in the strategy to accomplish these goals.

The federal government initiated a transit program in 1964 because of the clear national interest in serving communities with efficient, effective public transportation networks. That national interest continues to be strong today, when inflation, energy, and unemployment rank at the top of America's domestic concerns.

Mobility is at the heart of the American economy. And, transit plays a critical role in providing mobility in our urban centers and increasingly in suburban and rural settings as well. Public transportation offers access to jobs and carries consumers to markets and services. It is the alternative for millions of Americans who can no longer afford to own nor operate a private automobile. In congested areas, transit continues to provide the most efficient means for moving people, reducing demand for expanded highway and road capacity. Public transit has a proven record as an energy conservation tool and as a stimulus to development and the rebuilding of our communities.

More than ever, we are aware of the importance of transit to local economies. In many cities, retailers are dependent on transit for upwards of 50% of their customers. And this is true in rail-served cities like Boston as well as less dense bus cities like Portland, Oregon. Similarly, countless major employers, particularly in downtown areas, rely on transit to carry the greater part of their employees to and from work. And, many of these companies are responding by paying for a portion of the individual worker's commuting costs through various transit pass plans.

Many developers active in our cities have told us that transit access is an essential element in their consideration of sites for new projects. At a time when the housing market is depressed, a location near a subway station or bus line can mean the difference between a sale or not. More and more, new urban retail, office, convention, and housing complexes are being attracted by and tied to transit facilities which offer convenient and pleasing consumer access.

The mobility provided by transit and the resulting economic benefits are the products of a partnership among all levels of government, the general public, and to some extent the private sector, which has developed over the years. I noted earlier that the federal transit program had its beginnings in 1964. At that time, Washington joined with state capitals, city halls, and the riders, and taxpayers to support public transit programs. On the capital expenditure side, the 80% federal share is clearly essential to our maintaining a fleet of modern and efficient vehicles and the accompanying facilities. Operating costs continue to be covered, for the most part, by fares together with state and local assistance. Nationally, federal assistance covers about 13% of transit's operating budget. Nevertheless this is a significant, though small, portion of the pie.

The partnership I have described has served us well in the past and continues to work for the nation. Our overriding concern is to maintain it and to maintain the federal responsibility in it.

If you require evidence that the partnership is working, you need only look at what has happened to transit since the beginning of the capital program in 1964 and particularly the operating program which began 10 years later. We have suceeded in completely turning around the decline in transit ridership. We have injected new life into a languishing industry in the form of new equipment and new services.

Ridership has grown 23.5% since the initiation of the federal operating program from 22.1 million daily passenger trips to 27.2 million trips a day. This increased ridership has saved our cities the necessity of building 280,000 acres of additional streets and highways since 1974. This has allowed our cities to not only encourage an alternative to the automobile but also has freed-up significant sums that would have been used to expand highway capacity and use it for the compelling task of maintaining the existing highway investment.

In our newest rail cities, growth has been nothing short of spectacular. Since its opening in Washington, D.C., Metro's ridership has increased 46.5%. And look around you--Metro has transformed the city. In Atlanta, ridership has increased 22.4% during the first full year of subway operation.

I could continue to quote statistics like these, but in the interest of time, I will stop there. Let me turn to the appropriation proposal before us.

Now that we have placed transit's vital role into perspective, let's turn our attention to the proposal before us: President Reagan's Fiscal Year 1982 budget.

ITEM While the nation's current economic condition may require deferral of some capital expenditures, it is urgent that preliminary engineering and planning for new rail systems and extensions continue. The President proposes to reduce by $16 million funding for planning and technical studies. Considering that former President Carter had included $50 million in his budget for preliminary engineering for Los Angeles ($8 million), Detroit ($5 million), Houston ($22 million) and $15 million for other areas in Hawaii and California, APTA urges this subcommittee to restore the recommended reductions so that we do not become penny-wise and pound foolish. Afterall, this Administration constantly voices its support for "cost-effective expenditures of federal revenues." By refusing to fund alternative analysis the federal government will have great difficulty documenting what is truely cost effective.

ITEM Funds appropriated for interstate transfer substitution projects have historically fallen behind levels necessary to keep projects moving once the decision was made to withdraw interstate segments. Currently there exists a $8.5 billion backlog in substitute project appropriations. Though APTA applauds the recommendation of the Administration to fund substitute projects that are highway in nature from the Highway Trust Fund, we urge this committee to continue funding transit substitute projects at levels comparable if not higher than those of the past.

ITEM Non-urban formula grants have become quite an effective component in this nation's efforts to expand transit useage. APTA remains committed to the continuation of this program and is concerned about both the level of unobligated funds being carried over from FY 1981 ($25 million) and the recommended reduction proposed by the Administration in FY 1982 ($20 million). This program has been strongly supported by such states as Colorado (with 17 recipients), Massachusetts (10 recipients), Illinois (13 recipients), Minnesota (39 systems), Wisconsin (20 systems), Oregon (30 systems), Virginia (9 systems), Indiana (14 systems) and Vermont (4 systems) to list but a few.

Mr. Chairman, while APTA feels that it is imperative that a number of the Administration's proposals be given further consideration by this subcommittee, the President is to be commended on his bold steps to improve efficiency through the elimination of unnecessary and costly regulation. As you are aware, if a federal Department of Transportation would only work with our industry once a potential regulatory need is identified, that agency might well find that the goals of a regulation are already being accomplished without specific federal oversight.

If we had subjected that current 504 regulation to a strict cost-benefit analysis documenting the impact on our industry in terms of financial resources, staff time and paperwork, I doubt that we would have seen the necessity of using the appropriation act as a vehicle to seek relief -- as the House did in Section 323 of the DOT Appropriation Act.

Mr. Chairman, unless the courts or the Administration moves to provide relief on this current rule, APTA will urge you to restrict the Department's FY 1982 funds from being used to enforce this onerous regulation. I must remind this committee, however, that even "local options" in lieu of current 504 regulation will carry significant costs. Thus our concerns for relief are not solely financial but include our overall desire for reasonability.

In summary, Mr. Chairman, federal involvement in transit began in the 1960s with the recognition that public transportation was essential to the vitality, commerce, and quality of American cities. Though the program has grown to a multi-billion dollar federal commitment, it has also been accompanied by a complex set of regulations and procedures which increasingly interfere with local policy. A return to the initial intent of the Congress -- and not a pull-out of federal involvement as proposed by the Administration in the years ahead -- in providing assistance to meet local goals is long overdue.

Our overriding concern must be the establishment of federal transit policy which supports, above all, local decisions and encourages the blending of resources from all levels of government, private enterprise, and user charges to provide efficient and effective transit services. Transit contributes to mobility, to energy conversation, to the fight against inflation, to urban revitalization, and to business and economic stability. A strong and well-managed federal transit commitment underwrites these efforts.

Thank you.

STATEMENT OF JOHN RALPH, SENIOR VICE PRESIDENT, AIR TRANSPORT ASSOCIATION OF AMERICA

ACCOMPANIED BY WILLIAM M. RUSSELL III, DIRECTOR, NATIONAL AVIATION SYSTEM ENGINEERING

Senator Andrews. Our next witness is Mr. John Ralph, senior vice president of the Air Transport Association. Mr. Ralph.

Welcome to the committee, and be assured that your entire statement will be printed in the record as though read, and you may summarize anyway you wish.

Mr. Ralph. Mr. Chairman, it's a pleasure to be here, particularly since it gives me an opportunity to congratulate you on becoming the chairman of this important committee, and we look forward to working with you in a constructive and responsive way.

I have with me Mr. Bill Russell, who is our director of the National Aviation System Engineering.

We recognize the need for bringing Government spending under control. Clearly the health of our industry is intimately tied to the health of our national economy, but our industry also has safety and productivity as very high priorities, and our concern for safety has led us to question the proposed cuts in the FAA maintenance personnel and the air traffic control system.

We see the risk of an inadequately maintained system, and in our opinion, both the maintenance and the air traffic control personnel staffing levels are already stretched to the limit, and further reductions in staffing could result in sporadic breakdowns of the system, causing capacity constraints and delays.

Such constraints would cause substantial delay and inconvenience to our traveling public, and the airlines would suffer significantly increased costs because of additional fuel consumption.

The staffing of these highly trained teams cannot be simply turned on and off. The training process takes years, and a break in the flow of the trainees causes major problems at a later date which cannot then be rapidly corrected by a simple increase in funding.

The funding of these positions needs to be adequate and consistent, and accordingly we recommend that the FAA appropriation provide for restoration of authorized staffing levels for maintenance personnel and air traffic control personnel at centers and towers, at least to the levels approved by the Congress in the 1981 appropriation.

There are also proposed cuts of FAA facilities and equipment programs which we believe are excessive. My statement lists some of those in detail.

I would bring to your attention this morning, however, that all of our concerns have to do with aids to navigation, approach aids to airfields and landing, improved airport service, detection equipment, and all of these things have safety implications.

Again in the research, engineering, and development area, there are areas in which work must progress if we are to insure the continuing safety and productivity of the air traffic control system.

They include development of a criterion for safe separation of aircraft at 1,000 feet, vertical separation in the high altitude air space structure. Human factor simulation is a step toward the integration of the active beacon collision avoidance system.

I might recall that there was a program on "60 Minutes" this last Sunday which dramatized the value and the importance of a collision avoidance system.

Let me turn to another item that has caused us concern. It's not a large item, but to our mind it represents an excursion in creative budgeting.

There are items and facilities in the engineering development budget which support the number of regulatory activities which have in the past been a part of those funds coming from the General Treasury.

This year those funds not only have been transferred over to the aviation trust fund, but have also been moved into the research and development part of the budget, and we believe that this is not the proper use of either the trust fund or the use of research and development funds.

In summary, we believe that certain increases are warranted in the appropriation for fiscal years 1981 and 1982 budget, and these increases that we refer to are primarily in the areas of safety and productivity of the system.

Thank you, Mr. Chairman.

Senator ANDREWS. What is your position on defederalization? We had the bill up last year to defederalize 72 major airports.

Mr. RALPH. We presently do not support defederalization.

Senator ANDREWS. Did you support it last year?

Mr. RALPH. We did support it last year.

Senator ANDREWS. Why have you changed your feeling?

Mr. RALPH. Last year it was our understanding that defederalization would not include the imposition of head taxes. This year it appears that the use of a head tax mechanism is intimately tied to defederalization.

Our experience has been that head taxes are very, very difficult to administer equitably, and the cost of administering the system could very easily equal the cost of the net revenue taken.

You would have a great variety of forms in the head tax as each individual community decides what the amount and what fashion it would be, and it just appears to be a terribly inefficient way to generate funds for an airport.

Senator ANDREWS. In other words, you would rather generate revenues by a tax on individual airline tickets, instead of a head tax?

Mr. RALPH. The aviation trust fund has been a very efficient way of providing the needed funds for airways and airports development. The more we look at how one would take care or administer a head tax proposal, the more you are driven back toward the efficient methods of a ticket tax and a trust fund.

Senator ANDREWS. Thank you very much.

[The statement follows:]

STATEMENT OF JOHN E. RALPH

The Air Transport Association of America (ATA), representing virtually all of the U. S. scheduled airlines, appreciates the opportunity to provide our initial views on the Administration's revised FAA budget for consideration by the Senate Committee on Appropriations, Subcommittee on Transportation and Related Agencies. It is of particular pleasure for me to be here, Mr. Chairman, because of the opportunity it affords me to congratulate you on behalf of the airlines on becoming Chairman of this important Subcommittee. We look forward to working with you and the other members, and we hope you will find us both cooperative and responsive to your Subcommittee.

The need to reduce Government spending in order to provide a basis for an improved economy is a national goal. However, major budget reductions should not be made in the FAA's Air Traffic Control (ATC) System, a system which is essential for safety and contributes significantly to the nation's economy.

The airline industry and the flying public depend on an efficient and safe National Aviation System. Thus, continued and adequate funding of the system is essential. While the system has worked well, improvements are needed to increase efficiency, capacity and safety. Some of these improvements also require research and development, and appropriate funding should be assured.

ATC and Maintenance Staffing

With respect to the day-to-day operation of the ATC System, we are particularly concerned that proposed cuts in FAA maintenance personnel appear likely to result in an inadequately maintained system. In our opinion, both the maintenance and air traffic control personnel staffing level was already stretched to the limit. Further reductions in staffing could very well result in sporadic capacity restrictions. Such constraints would cause substantial delay and inconvenience to the traveling public, and the airlines would incur additional cost penalties due to fuel waste during these delays.

The staffing of these highly trained personnel teams cannot simply be turned on and off. The training process takes years, and a break in the pipeline flow of trainees causes major staffing problems at a later date which cannot then be rapidly corrected by a simple increase in funding. Forecast attrition levels must be carefully monitored. The funding of these positions needs to be adequate and consistent. Accordingly, we recommend that the FAA appropriation provide for restoration of authorized staffing levels for maintenance personnel and air traffic personnel at centers and towers to at least the levels approved by Congress in the FY-1981 appropriation.

We believe that the Aviation Trust Fund should not be used to fund the operation of the system until such a time that it is clear the capital improvement needs for which it was established have been met. FAA recently adopted a document entitled "National Aviation System Development and Capital Needs - For the Decade 1982 - 1991," which stated a need for $27.0 billion investment in the airways system over the next ten years. The document addresses needs for new airway facilities, such as the replacement ATC computer, airport improvements, and research and development. While ATA is in the process of analyzing the document, it is nevertheless clear that the capital needs of the system are substantial.

FAA Facilities and Equipment

The proposed cuts of FAA's Facilities and Equipment program account are extreme, considering it is funded from a trust fund earmarked for such purposes with the revenue coming from taxes on users and beneficiaries of the system.

In testimony before the House Committee on Science and Technology Subcommittee on Transportation, Aviation and Materials earlier this year (copy attached), we identified a need for at least $450 million in Facilities and Equipment (F&E) programs in the FY-1982 budget. These needs include the first procurement of a Discrete Address Beacon System/Automatic Traffic Advisory and Resolution Service (DABS/ATARS) ground facilities, completion of the Direct Access Radar Channel (DARC) enhancement program, improved Airport Surface Detection Equipment (ASDE-3), Visual Approach Slope Indicators (VASI's), and Instrument Landing Systems (ILS's).

The Administration's revised F&E budget is greatly reduced with respect to the January 15, 1981 budget. We also understand that the Administration is proposing to cancel a number of items previously funded in FY-1981 appropriations, and that some $30 million FY-1981 funds will be diverted to meet FY-1982 needs. While this latter change is a trust-fund-for-trust-fund exchange, it does leave the system short of needed improvements, particularly at a number of reliever airports which serve as capacity and safety valves for major hub airports.

As noted, the recent FAA document on capital investment needs identified requirements for significantly higher F&E spending in 1982. While not at the level in the FAA document, we believe that $450 million is necessary, that it can be efficiently spent, and should be appropriated in FY-1982 for FAA's Facilities and Equipment budget.

FAA Research, Engineering and Development

A number of essential E&D items which should be funded in FY-1982 are identified in the attached ATA testimony before the authorizing committee in the House. The items we identified relate to improved safety and efficiency, and, we think, will justify the need to increase the R, E&D budget. They include development of criteria for safe introduction of 1,000 feet vertical separation in the high altitude airspace structure, human factors simulation as a step toward integration of the active Beacon-Based Collision Avoidance System (BCAS) and Automatic Traffic Advisory and Resolution Service (ATARS) into the cockpit, acceleration of the Advanced Enroute Automation (AERA) development, work on use of the Discrete Address Beacon System (DABS) for transmission of weather information, and the development of a Wake Vortex Advisory System. We believe that funds should be provided for these essential items, and recommend that the R, E&D budget be increased by $10 million for programs we have identified. These important programs are normally included in R, E&D and are funded from the Aviation Trust Fund.

FAA Facilities, Engineering and Development

In addition, we believe FAA's Facilities, Engineering and Development (F, E&D) budget which supports a number of regulatory activities should be restored to its proper place in the FAA budget, and that none of the Research, Engineering and Development (R, E&D) trust fund budget should be used for the programs previously identified as F, E&D. This would result in removing programs costing $19.8 million from the R, E&D budget, and would permit spending these funds on R, E&D tasks properly charged to the trust fund.

Summary

In summary, we believe that certain increases are warranted in the appropriation for the FAA FY-1981 and FY-1982 budgets. These include, for FY-1981, restoration of $34 million for ATC and maintenance staffing requirements, and $30 million F&E (trust fund). For FY-1982 increases of $39 million for ATC and maintenance staffing requirements, $20 million F, E&D, $126.3 million F&E (trust fund), and at least $10 million R, E&D (trust fund) are recommended as compared to the March 1981 revised budget. We urge you to include these additional appropriations.

We hope you agree the recommendations have merit and, importantly, will enhance airport and airway safety and capacity.

This completes my testimony, and we are now ready to respond to your questions.

STATEMENT OF ALAN STEPHEN, VICE PRESIDENT OF OPERATIONS, COMMUTER AIRLINE ASSOCIATION OF AMERICA

ACCOMPANIED BY CALVIN DAVISON, GENERAL COUNSEL

Senator ANDREWS. Our next witness represents the Commuter Airline Association, Mr. Alan Stephen. Mr. Stephen, welcome to the committee.

Mr. STEPHEN. I have Calvin Davison here with me today. Mr. Davison is the general counsel for the Commuter Airline Association.

I would appreciate our statement being inserted in the record.

Senator ANDREWS. Your statement will be made a part of the record in its entirety, and you may summarize it in whatever way you wish.

Mr. STEPHEN. OK; very good. I will go directly to the most relevant portion of it, which is the recommendations for the fiscal year 1982 FAA budget.

We have four basic recommendations, and then I want to talk to one more subject.

The four recommendations are:

The first deals with the FAA loan guarantee program. This program was extended to the commuter airline industry as part of the Airline Deregulation Act. It is being used by commuters with greater and greater frequency. We have this time a $400 million appropriation, of which $100 million was set aside exclusively for commuter use, although commuters were eligible to use the additional funds in competition with other classes of carrier beyond the $100 million.

And as of the middle part of March, approximately $60 million of the commuter set-aside had been applied for, and I understand there are several million dollars' worth of additional guarantees that are sitting in FAA, requests for guarantees, and we think the whole $100 million will be used for this year, which brings us to our point.

This program is doing what it was intended to do, which is to help the carriers that were not otherwise eligible to qualify for financing at reasonable rates and terms; to be able to acquire new planes that can be used for the purposes of maintaining essential air transportation and replacement air services.

Therefore, we were pleased that the administration has proposed to retain the loan guarantee program in the fiscal year 1982 budget at $100 million, which we can support, and to make aircraft that fit the commuter definition—60 seats or less, 18,000 pounds payload or less—by carriers that operate such equipment.

We have certainly urged the Senate to adopt that provision.

The second provision important to us was the development of the commuter service airports, commercial service airports. Currently over 200 airports that we are serving lack precision approach aids. Over 100 of those airports are mandated air service under deregulation.

It is very important that these airports be brought up to the same level of reliability and safety that the air traveling public has come to expect.

The FAA previous administration announced a 5-year, $160 million program that would see 88 of these airports equipped with ILS, and another 39 airports equipped with other navigation aids, and again we were pleased that this administration has proposed to implement this program, and we will support it.

Our third recommendation deals with the microwave landing system, and it's a program for which many hundreds of millions of dollars have been spent. It's in place, it should be implemented. We want to make sure that it is programed in fiscal year 1982.

Our fourth recommendation deals with staffing needs, and while we support the division in staffing where it can be done with productivity and also reduction in nonessential programs, there are two we are concerned about:

One is adequate FAA surveillance of airlines. That's a safety issue.

And second, inadequate technically qualified personnel who can do the aircraft certification, airworthiness programs, which are pending before FAA.

We certainly would urge that the Senate establish adequate staffing.

We might add that in respect to airline surveillance, the NTSB has certainly made this a prime recommendation in their ideas as to what FAA should be doing for air safety with respect to aircraft certification. That was the basic point of the Blue Ribbon Committee that looked into FAA's qualifications to certify these airplanes.

We certainly would support that inclusion.

Finally, we would certainly support and are prepared to offer suggestions specifically on how FAA might reduce its overhead and its support staffing.

Mr. HARDIN [presiding]. Thank you very much, Mr. Stephen.

[The statement follows:]

STATEMENT OF ALAN R. STEPHEN

I am Alan R. Stephen, vice president of operations for the Commuter Airline Association of America (CAAA). The CAAA represents the nation's short haul passenger and cargo air carriers. During 1981, we expect the commuter segment of air transportation to carry more than 17 million passengers, up over 100 percent in the past five years, perform 2.4 million revenue flights, one-third of all scheduled air service, and operate into more than 600 communities, double the number of cities served by all other air carriers combined.

The CAAA is most pleased to appear before the Senate Appropriations Subcommittee on Transportation. The fiscal year 1982 budget authorization for the Federal Aviation Administration contains many program elements important to the development of commuter airline services. While we share the objective of this Administration and the 97th Congress to trim waste and eliminate unnecessary federal programs, the CAAA is concerned that the exercise of such budgetary control over the FAA is properly directed. Where legitimate cuts can be made in such areas as overhead or non-essential services, we will support them, as long as the integrity of the historic federal commitment to a safe and reliable national system of air transportation is not sacrificed.

The Relationship between the Commuter Airline Industry and the FAA in 1981.

These are dynamic times for the commuter airline industry. The increasing reliance of the traveling public on commuter air service has spurred growth beyond all expectations of just a few years ago. The traditional commuter markets, best characterized as low passenger density, small community markets, have been and will continue to be the back bone of the industry. But with airline deregulation and the escalating price of jet fuel, commuters are now being relied upon to replace uneconomic jet service in a growing number of short-haul and medium density markets. This, in turn, has taxed our industry's operational, technical and financial resources as we have responded to a more vital and visible role in air transportation. Already, commuters have replaced certificated local and trunk air carrier service at 187 communities that we also served when airline deregulation was enacted just 2½ years ago. And, that apparently is only the beginning as the economics of air transportation is bringing about the premature obsolescence of many aircraft used by the trunk and local service airlines.

With this expanding role comes new responsibilities to meet passenger needs and expectations. The Airline Deregulation Act extablished as Federal policy that passengers traveling on commuter airlines shall be afforded an equivalent level of safety, to the extent practical, as passengers traveling on certificated air carriers. During the past two years, virtually every aspect of federal regulation of commuters has been subject to intensive reviews and revisions. We have actively supported much of this effort in order to establish a firm foundation for the future. The result has been a massive upgrading of the regulations that prescribe commuter operating and maintenance practices, equipment requirements, pilot training and qualification standards, aircraft performance and airworthiness standards, protection of passengers from air piracy, as well as proposed regulations that would establish minimum standards at the airports commuters serve. Throughout this regulatory review process, among the most pervasive ever conducted in any industry, commuter air carriers have met the new requirements without exception.

We are entering a new phase in our relationship with the FAA, however.Whereas the last two years have required the industry to respond to a changing regulatory environment, that phase is nearly over. New regulations covering virtually every aspect of our operations have been promulgated and the FAA has conducted on-site, intensive team investigations of every commuter carrier to assure compliance with all of these rules.

This new relationship with FAA, therefore, involves fine tuning of technical requirements rather than an overhaul of regulations. It involves development of surveillance policies that recognize the wide diversity of operations which commuters conduct and environments in which they provide service. It involves recognition that assistance is at least as important as enforcement, especially as commuters upgrade to aircraft that were just a few years ago the mainstay of the local service and trunk airlines.

A second fundamental change in the relationship between the commuter airline industry and the FAA involves the development and certification of a new generation of light transport aircraft for use by commuters in providing economic replacement air services. Under active development today are more than a dozen new aircraft models for introduction between the summer of 1981 and the beginning of 1985. The aircraft range from 15 to 19 passenger seats to those in the mid ranges of 30 to 36 seats and 40 to 44 seats, and in the largest configurations, 50 to 60 seats.

With exciting new advancements in airframe technology in such areas as composites; with improvements in performance, including higher levels of propeller efficiency coupled with significant reductions in per horse power fuel consumptions; and with advances in flight profile scheduling for optimum required performance and aircraft utilization, it is not unreasonable to expect the new generation commuter transports now being marketed to be 40 to 50 percent more economical on a per seat mile cost basis than those aircraft that are in use today. This substantial increase in operational economy will allow commuter carriers to remain more profitable in more markets, than ever before.

But the success of airline deregulation is dependent not only upon how well aircraft designers can translate these operational economies into aircraft profitability, but also how these aircraft satisfy passenger needs. These new generation aircraft will provide the kind of convenience and comfort the air travelling public has come to expect. For example, they will have the same seat pitches as Boeing 727 or DC-9 aircraft. Further, these new generation aircraft will be mainly pressurized, have capability for inflight service, restroom facilities and room for carry-on baggage. These are all features that have been and continue to be important to air travellers.

Commuter Airport/Airways Needs.

With the success of airline deregulation keyed to the ability of commuter carriers to maintain reliable and economic air service to provide our nation's outlying communities and rural areas, the maintenance of a vigorous airport and airways development program is essential. Frankly, deregulation will fail if short-haul airline access and capacity needs are constrained while the requirements for replacement service continue to grow.

Let me illustrate why. Commuter airlines provide important feeder services into our nation's major air traffic hubs. For example, nearly 70 percent of all passengers traveling on commuter flights to hub airports interline or "connect" with another airline flight. Under deregulation and mandated replacement service, commuter airlines must link ever more communities with their associated hub airports. Where the departing jet air carrier might provide two flights per day, commuter replacement levels can be five or more flights per day.

Today, unfortunately there still remain substantial and critical unmet needs in our airport and airways system that pose formidable obstacles to the development of such commuter services. Congestion and delay at the high density air transportation hubs are the direct result of a growing short-fall in capacity. Competition among all aviation user segments for limited airway, runway, and terminal facilities is imposing a crisis of access. The lack of navigation and approach aids at our nation's small commercial service airports makes it increasingly difficult for the commuter industry to continue to provide reliable, economic service the air traveling public has come to expect and demand.

The CAAA shares the urgency of the entire aviation community in seeking the enactment of post-1980 airport and airway development legislation. The failure of aviation interests, the Administration and the Congress to come together last year regarding trust fund authorization and revenue legislation is resulting in the deferral of hundreds of millions of dollars in urgently needed ADAP and facilities projects that would improve operational safety and relieve congestion in the National Aviation System. Further, our failure to act in a timely way has resulted in the flow of residual aviation taxes, amounting to approximately 100 million dollars each month, to the U.S. general revenue accounts rather than the Aviation Trust Fund where they could be used to modernize and expand air traffic and airport facilities.

Federal capital investment in airports, facilities, and equipment, and research has been totally user supported since 1970, a fact that should be considered in setting funding levels for FY 1982. We believe that the Congress should appropriate at levels that can be reasonably financed by users based on a reasonable assessment of their long term system needs. Funding of projects that improve operational safety, capacity, and system productivity should remain the highest priorities for the use of Trust Fund monies, not the underwriting of FAA personnel costs. The CAAA is not inalterably opposed to trust fund revenues being appropriated for FAA operations, however, provided that these funds (1) are used to support costs associated with facilities modernization and expansion; (2) are borne equitably by all aviation users; and (3) are balanced with adequate recognition of the broad public interest derived from maintaining a viable national system of air transportation.

Specific CAAA Recommendations

The commuter airline industry is particularly pleased that the FY 1982 FAA budget submitted by the Administration recognizes some of these needs. For example, the Administration proposes to continue the FAA Equipment Loan Guarantee Program to assist commuters in the acquisition of new aircraft. The Adminstration also proposes to begin implementing in 1982, a five-year, $160 million program to commission vitally needed precision approach and other navigation aids that are currently lacking at many of the airports commuters serve. These are important initiatives that the CAAA urges Congress to fund at the levels requested by the Administration.

On the other hand, we are concerned with Administration proposals to reduce FAA staffing of operations personnel to its lowest level in more than a decade. While there is no doubt that economies can and should be made, the CAAA must question where the FAA can sustain a reduction in nearly 5,000 authorized positions by the end of FY1982, without a serious impact in its vital responsibilities in such areas as oversight of air safety, the management of air traffic control services and facilities and the maintenance of aircraft airworthiness and certification functions.

Specifically, the CAAA offers the following recommendations regarding the FY 1982 FAA appropriations.

1. The FAA Equipment Loan Guarantee Program: The FAA aircraft loan guarantee program, extended to commuters for the first time by the Airline Deregulation Act, has proven to be a invaluable tool for a growing list of carriers. With it, commuter airlines have been able to finance aircraft at more favorable rates of interest than these carriers could have qualified for without federal guarantees. The public clearly benefits from this program in both the economy and quality of air service that commuters are able to provide.

Commuter airlines are just one of several classes of air carriers that are currently eligible for the loan guarantee program. The CAAA, therefore, has consistently urged that a "commuter set aside" be maintained to assure needs of short-haul passenger and cargo air carriers can be met. We were pleased that of $400 million appropriated by Congress for the loan guarantee program in FY 1981, $100 million was designated for commuter use.

The FAA reports that 22 loan request totaly $60.6 million dollars have been received from commuters so far during FY 1981. This is substantially up from the 15 requests totally $39.8 million received last year and reflects the growing importance commuters place on the program. With the introduction of several new models of aircraft for delivery beginning this year, it is conceivable that commuters will utilize all $100 million in guarantees that have been appropriated for such use.

The adminstration has proposed to limit the FAA aircraft loan program to a total of $100 million for FY 1982. In doing so, however, the Administration has proposed that it be used solely by commuter carriers for the acquisition of aircraft seating 60 passengers or less or having a cargo payload capacity of 18,000 pounds or less. As long as this priority for commuter-sized aircraft remains, the CAAA can support the Administration's proposal.

2. Commuter Airport Development Priorities: The CAAA is deeply concerned over the large "gap" in air navigation and precision approach aids that exist at airports exclusively served by commuters as compared with those airports commuters serve jointly with other air carriers. For example, over 200 airports regularly served by commuters currently lack precision approach aids such as ILS. This figure includes, by the way, nearly 100 airports that commuters serve under CAB mandated service levels as required by the essential air transportation program of the deregulated act.

The reason this gap has developed stems from the economic qualification criteria the FAA historically has applied in allocating such F&E projects. Recently, the FAA announced a revision to these criteria that would essentially make eligible all commercial service airports (those enplaning 2,500 passengers or more annually) for aids that improve safe and reliable all-weather access. In conjunction with these criteria revisions, the FAA announced a five year, $160 million program that will upgrade many commercial service airports that up-to-now have not have not qualified for improvement. The CAAA supports this effort as an important first step in closing the gap. It will result in the installation of precision instrument landing systems at 88 commuter service airports that are not now so equipped, as well as to upgrade air navigation facilities at another 39 airports. Unfortunately, this important FAA program cannot be fully implemented until ADAP authorizing legislation is enacted, since the program specifies both airport improvements as well as equipment installation. We urge that it be funded in 1982 as recommended by the Adminstration.

3. FAA Microwave Landing System Program: The CAAA views the FAA Microwave Landing System (MLS) program as a very important improvement to our airport/airways system. The lower cost, higher level of reliability and importantly glide path flexibility of MLS versus ILS make it financially prudent to equip many small community, commercial service airports with MLS that cannot now qualify for precision approach aids under existing FAA cost-benefit ratios. At the same time, MLS offers attractive, innovative solutions to congestion at major air carrier hub airports because of the opportunities it provides to implement non-interfering, separate access approaches to relieve runways. The prime example of this is, of course, the planned MLS operations by Ransome Airlines at Washington-National Airport.

Because the commuter airline industry supports without reservation the FAA Microwave Landing System program, we are troubled by the many delays created by our own government and those abroad in defining and implementing an international system. Our MLS program works. The U.S. National Aviation System needs the immediate, wide spread implementation of MLS for safety, capacity and environmental reasons. If we cannot soon conclude a mutually acceptable international agreement, then we favor the unilateral, deployment of the U.S. MLS program airports in the U.S. where MLS is needed.

We understand that funding for the MLS Program may have been cut or deferred from the FY1982 FAA budget. We urge the Congress to reconsider such a move. Not only is it ill-conceived but it raises questions at home and abroad regarding the U.S. commitment to its MLS program. Instead, we believe the FAA should be directed to begin procurring and commissioning MLS at the earliest possible date in quantities sufficient to assure that it is well implemented by the end of this decade.

Specifically, we have recommended to the FAA: (a) Implement MLS in a network pattern, keyed to the hub-spoke systems commuter airlines operate. (b) Prioritize implementation at those hub airports where MLS can provide additional access through non-interfering approaches to reliever runways. (c) Assure all commercial service airports that can accept precision approach systems be so equipped. While MLS offers tremendous cost-benefit opportunities in upgrading existing precision approaches to Category II and III standards, the CAAA believes that safety must be given priority. (d) Accelerate MLS implementation. The CAAA recommends that 80 percent of all commercial service airports identified as candidate MLS sites should be so equipped by 1990. The program will not achieve widespread user acceptance unless it demonstrates to all air transportation segments important operational and cost benefit considerations.

4. FAA Staffing Needs: There are two areas of FAA safety regulation that the CAAA believes must be given additional support. First, we believe the FAA must be properly staffed to provide important oversight of commuter airline operations and maintenance practices. As the commuter airline industry has responded to a fast changing and more complex regulatory environment, expanded operations and acquired larger and more complicated aircraft, there has been a growing need to upgrade FAA surveillance and assistance efforts, a fact brought out by the National Transportation Safety Board (NTSB) in its investigation of commuter airline operations last year.

Second, we believe that the FAA must have sufficient technical personnel to fully implement its "lead region" aircraft, engine and accessory certification programs. With the tremendous increase in new commuter aircraft development it is imperative that the FAA have sufficient, technically-qualified engineering and manufacturing personnel to assure the timely certification of these new models.

The CAAA is concerned that the proposed reductions of 273 position within the aviation standards activity of FAA will negatively impact these important efforts. If such cuts are to be accomplished, we urge the Congress to assure that they are made in overhead and support functions of aviation standards, or through productivity improvements, rather by a reduction in line personnel carrying out the day-to-day safety missions of the Agency.

5.Where FAA Costs Can Be Reduced: Finally, the CAAA believes that there are a number of opportunities to reduce the cost of FAA, with only minimal impact on safety. The decommissioning of low volume facilities such as air traffic control towers, the implementation of automated weather observation and reporting equipment, the acquisition of modern low maintenance equipment such as solid-state VOR's and ILS's, the reorganization, where possible, of headquarters, of regional and local offices to consolidate support functions and duplicated activities all offer means of reducing FAA costs. Further, we recommend that the FAA eliminate excess regulation and use wherever possible, increased delegation of authority to the private sector, as has been so successfully done in programs such as airmen and medical certification.

Thank you for your interest in the views of the Commuter Airline Association of America. I will be most happy to answer any questions you may have.

STATEMENT OF RON STONE, DIRECTOR, GOVERNMENT RELATIONS DEPARTMENT, NATIONAL MARINE MANUFACTURERS ASSOCIATION

Mr. HARDIN. The next witness is the National Marine Manufacturers Association, Mr. Ron Stone, director of government affairs.

Mr. Stone, please proceed with your statement any way you wish. Summarize it, if you would like.

Mr. STONE. Thank you.

To summarize, I am here on behalf of the Nation's recreational boating industry to testify in favor of appropriations to the Coast Guard of $20 million for each of fiscal years 1981 and 1982 from the recreational boating safety and facilities improvement fund as authorized by Congress in Public Law 96–451.

Under that law, $10 million is authorized to be transferred to the Coast Guard for distribution to the States on a 50–50 matching basis for boating safety law enforcement and education programs, and similarly $10 million for recreational boating facilities and construction programs, for a total of $20 million per year in each of fiscal years 1981, 1982, and 1983.

Funding for these transfers is part of the 4-cent-per-gallon Federal tax paid on motor fuel used in recreational boats.

We submit this is precisely the type of program that fits into the Reagan administration's philosophy of user fees for letting the beneficiaries of Government services pay their own way.

It is not a new Federal spending program paid for out of general revenues. The money comes wholly and solely from the Nation's boaters in the form of a motorboat fuel tax. The money is transferred from the highway trust fund, not from general revenues.

We also submit that the Nation's more than 60 million recreational boaters are just as deserving of the use of their fuel tax money for waterway improvements as highway motorists who benefit from the use of their motor fuel taxes for highway improvements, and small craft aviators see their aviation fuel tax applied to small aircraft facilities improvements.

No new spending program is involved here. This is merely a reallocation of highway trust funds attributable to boating that used to go into Interior's land and water conservation fund for general outdoor recreation resource development. Only this way, the money is devoted entirely to recreational boating purposes. The money is there, it is dedicated. Public Law 96–451 provides that money accruing to the recreational boating safety and facilities improvement fund may not be spent on anything other than grants to the States for boating safety and facilities improvements.

This money is desperately needed in recreational boating. In 1979, Congress terminated Federal assistance to State boating safety law enforcement and education, programs payable out of general revenues.

In the interim, the number of boating accidents on our Nation's waterways has risen because the States have been forced to cut back on safety services due to inadequate funding, because the States cannot afford to go it alone.

This unfortunate development reverses a 7-year downward trend in accidents which boating experienced with Federal financial assistance.

We think the value in lives saved must outweigh budgetary considerations. The fact that boating facilities such as marina slips, launching ramps, and piers are in short supply nationwide has inhibited boating's growth tremendously.

The situation has grown worse because the rising cost of energy has forced boatmen to stay closer to home in urban areas where the facility shortage is the most acute.

Our industry believes this has contributed to the sharp decline in boat and related equipment sales which are down as much as 43 percent in recent years.

Unlike so many other special interest groups who come before Congress, asking for financial assistance, boaters are not asking for a handout or for a free ride on general revenues. They are simply asking for the use of their own tax dollars which Congress has already seen fit to authorize for boating safety and facilities improvements.

We pray the subcommittee will see fit to appropriate the authorized level of funding.

Thank you. I will be glad to entertain any questions.

Mr. HARDIN. Thank you, Mr. Stone.

Senator Andrews was called out of the room momentarily, but we will be here to bring your testimony to his attention.

[The statement follows:]

STATEMENT OF RON STONE

My name is Ron Stone, and I appear today as spokesman for the National Marine Manufacturers Association, the national trade association representing more than 700 manufacturers of recreational boats, marine engines, boat trailers, and marine accessories and services throughout the country. I am here to testify in favor of a fiscal 1981 supplemental appropriation of $20 million to the Coast Guard from the Recreational Boating Safety and Facilities Improvement Fund and a fiscal 1982 regular appropriation for the same purpose as authorized by the Recreational Boating Safety and Facilities Improvement Act of 1980 (PL 96-451).

The Act provides that the Secretary of the Treasury shall transfer from the Highway Trust Fund to a new National Recreational Boating Safety and Facilities Improvement Fund up to $20 million annually in Federal motorboat fuel taxes for each of fiscal years 1981, 1982, and 1983. Motorboat fuel taxes collected over and above the $20 million per year are to be transferred, as was the case with all marine fuel tax revenue before the Act, into the Land and Water Conservation Fund for general outdoor recreation resource development.

The law authorizes the appropriation from the new fund of up to $10 million a year for boating safety services and $10 million a year for boating facilities development (less a small deduction for Coast Guard administration of the fund) to be allocated to the states according to a formula which takes into account each state's share of the total number of registered boats and how much each state is spending on boating safety and facilities. The states are to match the Federal grants on a 50/50 basis.

Money from the 4¢ per gallon Federal tax on fuel used in boats has been accumulating in the Recreational Boating Safety and Facilities Improvement Fund ever since last October when the Act was signed into law. The money - nearly $10 million so far - is there. It is dedicated. It cannot be used for anything other than grants for boating safety and facilities improvements.

We were dismayed to learn that the Administration did not ask for, nor were there any monies amended into the Coast Guard's budget to set up Coast Guard administration and start the grant funding at the House Appropriations Subcommittee on Transportation hearing on the Coast Guard budget February 24.

This is ironic in that this is precisely the type of program that fits into the Administration's philosophy of user fees. It is not a Federal spending program paid for out of general revenues. The money comes solely and exclusively from the nation's boaters in the form of a motorboat fuel tax, and boaters want and need a return on it in the form of facilities and services.

It is interesting to note that the motorboat fuel tax paid by boaters does not come out of the general treasury. The money is first collected and deposited to the Highway Trust Fund, then $20 million of it is transferred to the National Recreational Boating Safety and Facilities Improvement Fund in each of fiscal years 1981, 1982, and 1983. Nothing in the law says that if the money is not used or appropriated it lapses into the general treasury. If the money is not appropriated the law provides that it reverts to the Land and Water Conservation Fund which was its repository before the Act.

We submit that the Federal motorboat fuel tax money is very important to us not just in value for the good it can do recreational boating but in principle. In principle it does not make any sense to saddle recreational boaters with any new taxes or user fees at a time when the Federal government seems intent on reducing taxes to bring down inflation and when boaters are not getting anything for their existing taxes.

It seems to us that if Congress appropriated the Federal motorboat fuel tax money which Congress already has authorized to be used for matching grants to the states for boating safety and facilities improvements, it could do two things. For one thing it would relax current budgetary pressures for a Federal waterways user charge to pay for Coast Guard boating safety services and aids to navigation. For another it would cancel out the proposition advanced in recently introduced HR-2250 and S. 546, cited as the "Fish Restoration Act of 1981," that a 3% excise tax on boats, motors and trailers is needed to help build more boat access to fishing waters.

The Recreational Boating Safety and Facilities Improvement Act of 1980 was designed to solve serious dilemmas for recreational boating founded in inadequate funding for boating safety and facilities.

The Federal Boat Safety Act of 1971 encouraged greater boating safety education and law enforcement effort by the states within Federal guidelines. However, the program also provided Federal matching grants administered by the Coast Guard to help support improved boating safety efforts at the state level. While the state grant program was never fully funded the amounts that were made available to the states since 1971, combined with state revenue sources, resulted in substantial improvement of boating safety education and marine law enforcement programs. Unfortunately, the state grant program under the Federal Boat Safety Act of 1971 was discontinued in 1979 in the interest of Federal budget austerity. Since then the states have had to drastically cut back on their boating safety programs, and we have witnessed a disturbing increase in boating accidents on the nation's waterways which we think bears a direct correlation to the diminution in state boating safety education and law enforcement. We hope to reverse this unfortunate trend by providing necessary substitute Federal funding for state safety program paid for wholly by the nation's recreational boaters and not by general taxpayers.

Recreational boating's facilities needs are chronic and acute. This is well documented in many areas of the country by state and Federal recreation agencies including the Department of the Interior, the Corps of Engineers, Coastal Zone Management planning agencies, Sea Grant research, etc.

The fact that boating facilities are in very short supply has inhibited boating tremendously. This factor combined with inflation and the need for recreating closer to home because of the rising cost of energy has resulted in a steady decline in smaller boats over the last five years. According to industry figures the decline in outboard boat sales has been approximately 30% during this period.

Here is another area where the equity of letting recreational boating pay for and solve its problems, the user fee principle, is or should be abundantly clear.

Unlike so many other special interest groups who come to Congress asking for financial assistance recreational boating is not asking for a handout or for a free ride on general revenues. Recreational boaters are asking for their due, the use of an already dedicated fund contributed wholly by boaters.

Unless the Federal motorboat fuel tax money which Congress authorized for boating purposes last year is appropriated this year it will surely be lost to boating, perhaps irretrievably, and then recreational boaters will be vulnerable to new taxes and user fees to pay for services and facilities. We pray that this Congress will see the justice and fairness in what we are asking and will appropriate funds from the Recreational Boating Safety and Facilities Improvement Fund at the maximum authorized level for fiscal years 1981 and 1982.

STATEMENT OF BRADFORD NICHOLSON, PRESIDENT, GLADWIN, INC.

ACCOMPANIED BY MARC L. FLEISCHAKER, ESQ., ARENT, FOX, KINTNER, PLOTKIN & KAHN

Mr. HARDIN. Our next witness is Marc Fleischaker.

Welcome to the subcommittee, Mr. Fleischaker. Please proceed with your statement.

Mr. NICHOLSON. I am Bradford Nicholson, President of Gladwin, Inc., from Oakwood, Ga. I represent an ad hoc committee of manufacturers of telephone enclosures utilized in public coin phones.

Our counsel here is Marc Fleischaker.

I specifically refer to Architectural Transportation Barriers Compliance Board, and more specifically to CFR 1190.210.

In 1968, Congress addressed this problem of the handicapped, specifically in public buildings. We, the manufacturers of telephone enclosures, became conscious of this when the telephone companies asked us to reduce the standard height of a telephone enclosure from 64 inches down to 54 inches. This was a compromise that had been reached by the telephone industry with the handicapped, blind, people in wheelchairs, et cetera, et cetera. All industry were involved in it.

The industry went to the American National Standards Institute and for 7 years standards were worked out and finally in the courseof this year they were published. Those of us in telephone enclosures have been manufacturing this way since the mid-1970's at a very heavy cost to us.

Industry in general has accepted the American National Standards Institute findings on A117, originally 1961, and now the modified is 1980.

At the same time in 1973, the Congress mandated and created the Board and asked them to address this problem. Nothing was done.

Nothing was done for 7 years. In 1980, finally they began getting actively involved in this thing, and created standards contrary to what ANSI had created, we understand on a whim.

I would like to read as to why the switch was brought about in answer to a simple and incredible statement. When the final regulation for telephone heights was presented to the Board's technical standards subcommittee for review, prior to the recommendation of the full Board, the staff recommended use of the 54-inch height, but one subcommittee member complained she could not personally reach to a 54-inch height. When she was advised of A.T. & T.'s findings that fewer than 1 percent of those persons in wheelchairs benefited from a 48-inch height as opposed to 54 inches, this board member responded that she did not trust A.T. & T. because, and I quote directly from the Board's minutes:

> They have a vested interest.

As a result of a strictly personal preference of a single board member, all available research was ignored. Correspondence is on file from enclosure manufacturers stating that they had $15 million of inventory on hand at the 54-inch height, and it would cost them an additional $10 million to retool it to 48 inches, and it was all ignored.

The final regulation fixes the standard height at 48 inches for most telephones.

One must be callous, absolutely callous, if one goes before the Board, the public members of the Board, and not feel sympathy. What we have done is not out of callousness. We have been very sympathetic to the change. Unfortunately the regulations were presented in the last days of the Carter administration hastily and consequently the industry is expected to live with it, and frankly we feel that this whole subject should be looked at extremely carefully.

The actions of the Board do not represent the actions—or, better said, the opinions of the manufacturers, nor the public members—or better said, the Government members of the Board who in toto opposed the regulations.

Mr. HARDIN. Thank you, Mr. Nicholson.

As you know, the President's budget request proposes to eliminate funding for the Architectural and Transportation Barriers Compliance Board. Your testimony will be very helpful to the committee in making its decision. You can be sure we will bring your testimony to the attention of the subcommittee members.

Thank you again.

Mr. FLEISCHAKER. We would request that the testimony, as well as the petition which we filed with the Board, be made part of the record.

Mr. HARDIN. We will be pleased to do that.

[The statement follows:]

STATEMENT OF BRADFORD NICHOLSON

Good morning. I am Bradford Nicholson, president of Gladwin, Incorporated, Oakwood, Georgia. Gladwin is a small, independent company that manufactures public telephone enclosures. I am here today to discuss regulations recently adopted by the Architectural and Transportation Barriers Compliance Board, and am speaking on behalf of a Committee of Independent Telephone Enclosure Manufacturers. In addition to Gladwin, the members are Acoustics Development Corp., Northbrook, Illinois; Phillips and Brooks, Inc., Cumming, Georgia; and Redyref-Pressed & Welded, Inc., Long Island City, New York. I am accompanied by our Committee's attorney, Marc Fleischaker. We hope that our testimony will encourage Congressional Committees to hold oversight hearings concerning the Board soon, with an eye to restraining the irresponsible assertion of power made by the Board through its new regulations.

The Board's regulations, published on January 16, 1981, allegedly establish minimum, binding standards on the largest federal agencies, aimed at increasing access to federal buildings by the physically handicapped. The Board says that these regulations are binding, yet nothing in either the legislative history nor the specific terms of the Architectural Barriers Act of 1968 or the 1978 amendments to the Vocational Rehabilitation and Services Act suggests that this Board shall issue regulations binding HUD, the Postal Service, the Department of Defense or the General Services Administration to hundreds of millions of dollars in expenditures.

The Board has clothed itself in the garb of a public agency seeking to perform the public good. In fact, however, it has acted not aggressively, but recklessly. Neither Gladwin nor any other company I know of that manufactures public telephone enclosures opposes accessibility of public buildings to the handicapped. But we do not believe that Congress intended that the architectural rules should be developed without regard to their cost, nor that they should ignore available studies suggesting the proper balance between access by the handicapped, and healthy and comfortable access by those persons not blind or confined to wheelchairs.

I am here today to explain to you how, in my industry, the Architectural and Transportation Barriers Compliance Board has passed regulations (and are now promoting them in every state in the Union) which not only will hurt our industry financially and cost consumers more money, but are unreasonable because they provide little help to the handicapped while causing physical injury or inconvenience to millions of other Americans. These regulations were passed without any regard for the costs of the final regulation or unimpeached studies -- including one by the federal government -- showing what the proper regulation should be.

The portion of the Board's access regulations I am specifically addressing deals with the permissible height of public telephones in federal buildings. The telephone enclosure industry, including both smaller manufacturers such as Gladwin and large ones such as AT&T's Western Electric Division, have been addressing the problems of wheelchair-bound telephone users for many years. What we have sought to do is to determine what is the best overall height for a public telephone so that it can be used by the majority of those Americans in wheelchairs but not be so low as to aggravate the problems of many millions more Americans suffering back problems who cannot easily stoop or bend.

That height now is conclusively established to be 54 inches. That is the height which telephone enclosure manufacturers have been using since the early 1970's, and that is the height which has been adopted by the American National Standards Institute for most public telephones in use in this country. That also is the height which was recommended by the Board's own technical staff for use in the Board's accessibility regulations.

You will easily recognize a 54-inch high public telephone and readily know that it is different from a phone at a traditional height. The traditional height was 64-inches or higher. Some taller persons find the 54-inch telephone an inconvenience because of the need to stoop to dial. But, 54-inches is also the height which can be reached by ninety-nine percent of those persons in wheelchairs capable of using a telephone at any height. That figure is not our Committee's, but it is the result of surveys by both AT&T and the Department of Housing and Urban Development. Based upon these surveys, plus a decade of use by enclosure manufacturers, the American National Standards Institute adopted the 54-inch standard.

Gladwin, as well as other independent enclosure manufacturers, has adopted the ANSI standard speedily. The independent telephone enclosure companies -- meaning those not a part of Western Electric -- are small companies. Nevertheless, we estimate that we have among us at least $20 million in inventory at a 54-inch telephone height ready to be installed for the benefit of handicapped Americans.

It therefore seems unanimous among telephone manufacturers, HUD and the nation's largest private standard-setting agency that 54 inches is the ideal height to insure public telephone accessibility. Despite this, the Architectural and Transportation Barriers Compliance Board went off in a contrary direction. Under the Board's regulations, nearly all public telephones in federal buildings must be fixed at a 48-inch height, six inches lower than the level which everyone else considered ideal.

Why the switch? The answer is simple, and incredible. When the final regulation for telephone heights was presented to the Board's technical standards subcommittee for review, prior to recommendation to the full Board, the staff recommended use of the 54-inch height. But one subcommittee member complained that she could not personally reach to a 54-inch height. When she was advised of AT&T's findings that fewer than one percent of those persons in wheelchairs benefitted from a 48-inch height as opposed to 54 inches, this Board member responded that she did not trust AT&T because -- and I quote directly from the Board's minutes -- "they have a vested interest." As a result of the strictly personal preference of a single Board member, all available research was ignored. The correspondence on file from enclosure manufacturers stating that they had 15 million dollars in inventory on hand at 54 inches and that it would cost them an additional 10 million dollars to retool to 48 inches was ignored. The final regulation fixes the standard at 48 inches for most telephones.

It is ironic that this agency, the Architectural and Transportation Barriers Compliance Board, should be aggressively lobbying to retain its budget here when it so cavalierly ignored cost matters in designing its regulations. The total cost of the regulations will be in the billions of dollars. The estimated twenty-five million dollars in cost to my industry, excluding Western Electric, accounts for about half of the industry's net worth. The costs to the American public in physical injury to the back by having to stoop to dial a 48-inch high phone is incalculable. The standard, by the way, relates to the coin drop height, so dials will be even lower than 48-inches.

Our Committee of Independent Telephone Enclosure Manufacturers has asked the Board to reconsider its regulation on telephone height and two other measurements affecting our industry. The petition also presents evidence that the entire set of regulations was adopted in an arbitrary manner, without any consideration of cost in most areas, and is not binding on any agency of government. I herewith submit a copy of that petition for your consideration, and request that it be included in the record of this hearing.

In reviewing the budget of the Architectural and Transportation Barriers Compliance Board, we ask only that you keep in mind that the Board has acted outside the scope of the authority granted it by Congress and has acted in an indefensible, irresponsible fashion. In doing so, it has not, in the long-run, helped the interests of the handicapped. Rather, as one Board member, Assistant Postmaster General Roger P. Craig, told the Board when it adopted the present regulations -- with all members representing government agencies voting against them -- and I am quoting Mr. Craig now, "I believe that this is a classic case of pushing so far, so fast, on so skimpy a base, in sc much disregard of legal and practical limits, that to support the rule would harm rather than help the interest we are called upon to serve here."

Thank you for your time and attention. We will be pleased to respond to any questions.

March 5, 1981

Mr. Mason H. Rose, V
Chairman
Architectural and Transportation
Barriers Compliance Board
330 C Street, S.W.
Room 1010
Washington, D.C. 20202

Re: Petition for Reconsideration and Amendment -- Minimum Guidelines and Requirements for Accessible Design (46 Federal Register 4270 -- January 6, 1981)

Dear Mr. Rose:

On behalf of the Committee of Independent Telephone Enclosure Manufacturers,[*/] and pursuant to 5 U.S.C. § 553(e), we hereby petition the Architectural and Transportation Barriers Compliance Board ("the Board") for reconsideration and amendment of three provisions in the Minimum Guidelines and Requirements for Accessible Design standards ("guidelines") promulgated by the Board effective January 6, 1981 (46 Fed. Reg. 4270).

Specifically, we request that the Board amend (1) Section 1190.210(c)(1) to provide for a universal height

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[*/] The participating Members of the Committee are Acoustics Development Corporation (Northbrook, Illinois), Gladwin, Inc. (Oakwood, Georgia), Redyref-Pressed & Welded, Inc. (Long Island City, New York), and Phillips & Brooks, Inc. (Cumming, Georgia).

of 54 inches for placement of coin-operated telephones, irrespective of approach; (2) Section 1190.210(b) to provide that a telephone enclosure may be 30-inches in width without regard to depth; and (3) Section 1190.50(c)(2) to exempt wall-mounted telephone enclosures from 27-inch elevation minima. As described below, these proposed amendments are sensible and justifiable on economic and practical grounds.

Although we are confident that the Board will see fit to amend these sections as requested because the request is factually justified, we also submit that the Minimum Guidelines and Requirements, both generally and specifically as they effect telephone enclosure placement and design, are procedurally and substantively defective and would be set aside by judicial review.*/ The reasons supporting this conclusion also are set forth briefly below.

I. PRACTICAL AND ECONOMIC REASONS TO AMEND

A. Section 1190.210(c)(1)

This section provides that the highest operable control of a public telephone shall be at 54 inches if the telephone can be approached from the side and 48 inches if a frontal or diagonal approach is required. Section 1190.210(b) requires that an enclosed area such as a telephone enclosure provide a minimum clear floor space of 48 inches by 30 inches for wheelchair access. This combination of guidelines would require that a telephone, if wall-mounted for example, either be mounted at a height of 48 inches or that the booth be 48-inches wide to accommodate side access from a wheelchair.

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*/ Normally, agencies with substantive rulemaking authority have specific administrative and judicial review provisions set forth in their Organic Act. Because Congress did not intend the Board to have such authority this Organic Act does not contain such provisions. Consequently, this Petition is filed under the generally applicable provisions of 5 U.S.C. § 553(e), and judicial review is not restricted by an arbitrary time limit.

The 48-inch height requirement is contrary to all data which was before the Board and is contrary to a recommendation of the Board's staff. The question of telephone elevation standards was addressed in a memorandum to the Technical Standards Committee in November 1980.*/ It cited a 1975 study by AT&T proving that a 54-inch height, regardless of approach, was the optimum level for accommodating the vast majority of handicapped without undue inconvenience to the rest of the public. In fact, the AT&T study concluded that 91 percent of 286 wheelchair participants tested were able to insert money into a 54-inch coin slot. Of the 29 wheelchair users unable to do so, only three (or 1 percent of the study participants) benefitted from a lower slot.

The November staff memorandum also reported the results of a study sponsored by the Department of Housing and Urban Development. That study revealed that only 8.2 percent of wheelchair participants could not use a coin slot at 54 inches; each of those participants who could not do so also was unable to use a telephone mounted at 48 inches. In sum, out of 347 wheelchair participants in the two surveys, only three -- fewer than one percent -- enjoyed an advantage by use of the 48-inch height.

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*/ The same memorandum contained erroneous information that "the 4'-0" mounting height has been used across the country since 1961 ..." Common experience suggests that the statement is false. Comments from the Acoustics Development Corporation (ADCO), submitted Oct. 17, and Benner-Nawman, Inc. on Oct. 8, both manufacturers of telephone enclosures, suggested that 48-inch requirements would be a dramatic change from the norm, which in fact was 63 inches or higher prior to the general reduction to 54. These comments apparently were ignored by the Board, the Standards Committee and the Board staff. The false assumption by the Board that the 48-inch height was once standard was the sole basis offered for the provision in the regulatory analysis accompanying the proposed regulations.

The November memorandum concluded that research supported both the 48-inch and 54-inch heights. In fact, there is no data in the record and none cited in the memorandum in support of the 48-inch height. The memorandum concluded by recommending that the Committee adopt a universal height of 54 inches but that one telephone be mounted at 48 inches in any bank of telephones. That was an alternative proposal suggested by the Acoustics Development Corporation and we suggest that it be adopted should the Board decline to adopt our primary request for a universal height of 54 inches.

The fact that fewer than one percent of persons in wheelchairs (which equals less than 1/100 of 1 percent of the total population) benefit from the 48-inch height is itself sufficient reason to abandon the existing guideline. The height, which would be applicable to the majority of public telephones,*/ also would pose a substantial inconvenience to a great many persons among the public at large. For a variety of reasons, including clear space access, seats are now rarely installed in telephone enclosures.**/ A tall or even normal sized person cannot, therefore, seat himself to make a public telephone call but must remain standing. The 48-inch height will require many persons to bend or stoop, if they are able to do so. Certainly, as the staff recognized, the Board can take notice of the fact that far more Americans have back troubles which make bending or stooping difficult than are bound to a wheelchair.

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*/ Public telephones are most commonly mounted on walls, necessitating a frontal approach.

**/ Cost and a desire to discourage loitering or use of public booths as shelter also have resulted in absence of seats.

The 48-inch requirement benefits a very few at the expense of very many.

Benner-Nawman, which claims to have installed the first telephone enclosure specifically designed to be accessible by the handicapped, has employed a 54-inch height option for its enclosures since at least 1972. As it advised the Board in a comment letter on Oct. 8, 1980, the company has never received a complaint regarding the 54-inch height from any person, handicapped or otherwise.*/

The Board has reached compromises between the needs of the handicapped and the majority of the population in other areas of the guidelines. Regarding alarm signals, for example, the section-by-section analysis of the guidelines states that the guideline "benefits the largest cross-section of the population, including handicapped and able-bodied persons, while not increasing the cost of an alarm system significantly." (46 Fed. Reg. 4274). No such careful weighing of benefits is reflected in the telephone height guideline.

Further, no reason has been offered why the height and access requirement is applied to all public telephones when the Board has concluded that far more limited access to more important facilities, such as toilets, is permissible. Only one toilet per floor is required to be accessible, but all public telephones must be accessible, and all must be mounted at 48 inches if not approachable from the side. The requirement is particularly incomprehensible given that no one is inconvenienced by accessible, roomier toilet stalls, but many persons will be inconvenienced by 48-inch telephones.

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*/ Other member manufacturers have, however, received numerous adverse comments from non-handicapped persons that 54 inches is too low. These complaints suggest that 54 inches already represents a substantial compromise for the benefit of those confined to wheelchairs.

Regarding mounting heights in another context, the Board approved a broad exception to the 48-inch height standard for elevator control buttons, permitting a 54-inch height to avoid a substantial increase in cost. Section 1190.100(d)(3)(iii)(A). Chairman Rose spoke in favor of this exception at the public meeting of the Board on January 6, 1980. He said "the standard will be at four feet unless it would increase the cost of the elevator, then it would be no more than four-six." (Transcript, p. 84).

Excessive cost also is a reason to eliminate the 48-inch telephone height guideline. As the Board was advised during the comment period,[*/] the cost of complying with the guidelines as presently drafted will be excessive. Telephone enclosure manufacturers have experienced high capital costs in recent years by lowering the height of the telephone coin slot from the traditional 63 inches or higher to 54 inches. This has been done in response to requests by states and the handicapped. Under the guidelines, independent telephone enclosure manufacturers would be required to redesign all of their enclosures to reduce height from 54 inches to 48 inches. We estimate that this would cost in excess of $10 million for redesign. In addition, these manufacturers have approximately $15 million worth of enclosures in inventory with a 54-inch height. This represents a significant percentage of the net worth of these companies, which constitute the bulk of independent enclosure manufacturers not affiliated with Western Electric.

[*/] Acoustics Development Corp., Modular Systems, Inc., and Benner-Nawman, Inc.

Obviously, enclosure manufacturers will be unable to absorb the costs of yet another conversion.*/ All costs will have to be passed on to customers and, ultimately, to builders, lessees and consumers in the form of higher rents and telephone charges. Since the Board has seen fit to provide a cost exception for elevator panel height, and the same cost and convenience arguments are at least as forceful concerning telephones, the 48-inch height requirement should be abolished for telephones.

Under the guildeines as presently drafted, a telephone mounted upon a wall could be installed at 54 inches only if the enclosure is at least 48-inches in width, allowing a wheelchair turn to a side approach. Such an arrangement would reduce the number of public telephones in a given space by at least 25 percent. Two inconveniences would result for both the handicapped and the general public. First, fewer telephones would be available per bank for use by any member of the general public, causing lines and waiting. Second, a wall space which might accommodate a 30-inch enclosure but not a 48-inch width would not receive a telephone at all, injuring the handicapped at least as much as the general public. Public telephones at any height will simply become less commonplace.

A further reason for abandoning the 48-inch requirement is the arbitrary manner in which it was adopted. The genesis of the requirement appears to have been a complaint by Board Member Carol Ann Grant at an April 29, 1980 meeting of the Technical Standards Committee. Ms. Grant complained that she could not, personally, reach to a 54-inch height. When Ms. Grant was advised of AT&T's research, her response, according to the minutes of the meeting, was that she did not trust AT&T "because they have a vested interest." She suggested that Little People of America "would probably come up with research saying it should be 48-inches."

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*/ As noted, infra, at p. 13, requiring enclosures 36 inches wide also will require costly redesign and result in inventory obsolescence.

The administrative record does not reflect any research or data by Little People of America or anyone else even suggesting that a 48-inch height is most appropriate or even reasonable. Nevertheless, the proposed minimum guidelines provided for a universal height of 48 inches for public telephones regardless of approach.

Subsequent to publication of the proposed guidelines, presumably in response to comments, the staff memorandum discussed above was submitted to the Technical Standards Committee. The staff recommendation was rejected.

The record shows that at its December review meeting, the Technical Standards Committee completely disregarded the research on telephone height by both AT&T and HUD in favor of unproven assertions among the committee members. These included unfounded remarks such as "it is precisely in a bank of phones that you are likely to have parallel reach" (Transcript, p. 179), and telephones "are not installed as much in banks as they used to be" (Transcript p. 175). There is not a scintilla of evidence in support of these remarks. Ms. Grant suggested that the Board approve a 48-inch height so that children and short people could reach the telephone (Transcript p. 177), although the Board's statutory responsibility does not extend to protect children and short people. There was no discussion of costs, despite the fact that companies had advised the Board that requiring a 48-inch height would be unreasonably expensive. Nor was there any discussion of the problems tall persons or persons unable to bend or stoop might encounter with the shorter height.

The minutes also reveal that the Committee was completely ignorant of the fact that under the guideline scoping requirements all public telephones are required to be accessible. In discussing enclosure seating, Mr. John Weber of the Board's staff stated that the access drawings "apply to an accessible phone and not to the rest of them ..." His statement, which plainly implied a limited scope, was not disputed.

Minutes of the Board's January 5 and 6, 1981 meetings to discuss changes in, and approve the final rules, reflect absolutely no discussion of the 48-inch height or of any comments by telephone enclosure manufacturers.

In view of the fact that all available research supports a universal 54-inch height, and because of the arbitrary manner in which the 48-inch height was in fact adopted by the Board, the guidelines should be amended to eliminate the 48-inch height requirement.

B. Section 1190.210(b)

This section adopts the clear space requirements of Section 1190.40, including Section 1190.40(c)(5) and Figure 4.9. These sections appear to require that if a telephone enclosure exceeds 24 inches in depth it must be at least 36 inches wide. We request that the Board adopt the American National Standards Institute specification for telephone enclosure accessibility, which provides for a minimum 30-inch enclosure without regard to depth. [See, ANSI Sec. 4.31.4(2)].

Adoption of this change would not only promote uniformity between standard-setting bodies, but would avoid elimination of existing telephone service. Virtually no full enclosures are less than 24 inches in depth, so under the present guideline all such enclosures would require 36 inches of linear space rather than 30 inches. Per foot building rentals are skyrocketing because of inflated construction costs. Requiring greater space for telephones is likely to result in fewer telephones because revenues will not justify the use of space. Moreover, the standard as presently adopted by the guidelines makes virtually all existing stock of telephone enclosures obsolete and would require completely retooling and redesigning existing lines. As noted, *supra*, costs of redesign and inventory among these small manufacturers would total approximately $25 million -- a significant percentage of their net worth.

It is unclear whether the Board even intended to apply any 36-inch width to telephone enclosures. Figure 21.6, although silent on depth of the pictured enclosure, appears to depict a standard enclosure and describes a 30-inch width. No traditional enclosures are 36-inches wide, although all exceed two feet in depth. Given the overall standard clear floor space dimension of 30 inches by 48 inches, no major benefit arises by expanding width to 36 inches.

C. Section 1190.50(c)(2)

This provision provides that objects affixed to a wall projecting more than four inches from the surface may not be raised higher than 27 inches from the floor. The purpose of the guideline is to insure that a projecting object can be discovered by a cane sweep.

We petition the Board to exclude telephones and telephone enclosures from this requirement because the provision is counterproductive when applied to wall-mounted telephones. Obviously, a telephone cannot be installed with its base only 27-inches from the ground. To comply with the guideline, therefore, a panel would have to be dropped to that level on both sides of a telephone. Such panels would complicate wheelchair access. Since there is no evidence that wall-mounted telephones have ever caused "cane sweep" problems for the blind, wall-mounted telephones should be excluded.

II. THE MINIMUM GUIDELINES AND REQUIREMENTS ARE LEGALLY DEFECTIVE

Although we are confident that the Board will amend the Minimum Guidelines and Requirements as requested on reconsideration because of the facts pointed out above, we also wish to point out that the guidelines are legally vulnerable and subject to attack under the standards of judicial review set forth in the Administrative Procedure Act, 5 U.S.C. § 706. All of the following issues, except timing of the effectiveness of the purported guidelines, were raised during the prior administrative proceedings. We are merely summarizing them for the convenience of all parties and to insure that the issues are squarely presented. This discussion is intended, however, only as a brief summary, not as a full airing of the evidence or the applicable law.

A. Absence of Binding Authority

There is no evidence in the legislative history of the Rehabilitation Act Amendments of 1978 to suggest that the Congress intended that the Board be awarded authority to impose regulations binding on the standard-setting agencies. Indeed, the Senate's version of the 1978 Amendments was accompanied by a Regulatory Impact Statement which concluded that the statute imposed *no* new regulations and had no economic impact on individuals or businesses. Senate Rep. No. 95-890, pp. 46-47. What little floor debate that took place in either the House or Senate suggests only that the Board would provide its technical guidance to the standard-setting agencies. Surely, if Congress had intended to provide an independent agency with extensive regulatory authority over huge government entities such as HUD, GSA and DOD, the intent would have been expressly stated and subjected to debate. Further, the statutory authority would not have been left to rest upon only eight words buried in an otherwise detailed statute enumerating the obligations of the federal government concerning discretionary expenditures for handicapped citizens.

When objections were raised concering the Board's assumption that it had binding regulatory authority over the standard-setting agencies, the Board itself ordered a staff memorandum on the matter. This memorandum, dated April 4, 1980, concluded that the 1978 amendments to the Rehabilitation Act, and in particular 29 U.S.C. § 792(b)(7),*/ provided for such authority. That memorandum was the sole source relied upon in reasserting the Board's position in a memorandum from the executive director on December 2, 1980. The glaring weaknesses of the April 4 memorandum can be quickly highlighted as evidence of the totally self-serving nature of the analysis.

Only two pages of the 10-page analysis even address the threshold issue: whether the 1978 amendments gave the Board binding regulatory authority. The bulk of the memorandum deals with distinctions between legislative and interpretive rulemaking and potential enforcement difficulties, both of which are relevant issues only if it is assumed that the agency has initial statutory authority.

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*/ "(b) It shall be the function of the Board to: ... (7) establish the minimum guidelines and requirements for the standards issued pursuant to the Architectural Barriers Act of 1978."

The two-page analysis of statutory authority cites cases which strongly suggest the total absence of any congressional intent to create another independent agency to oversee federal building standards through binding regulatory power. The term "guidelines" as employed in the statutes addressed by E.I. DuPont v. Train, 430 U.S. 112 (1976); American Iron & Steel Inst. v. EPA, 543 F.2d 521 (3d Cir. 1976), and American Paper Inst. v. Train, 543 F.2d 328 (D.C. Cir. 1976)*/ was only part of an extensively detailed regulatory scheme by which the federal government imposed major regulatory authority over state and local jurisdictions. Binding regulatory authority was specifically granted and the EPA's power was the subject of extended congressional debate and analysis. In fact, the issue in the cases cited was not whether EPA had authority to issue binding regulations, but whether the content of regulations issued violated statutory intent.

Other authorities cited in the memorandum also relied upon detailed statutes which established a complete regulatory scheme. Moreover, the statutes specifically provided that the agency should promulgate regulations, not guidelines. It is not ironic that the Board should rely upon Batterton v. Francis, 432 U.S. 416 (1977) for its claim of binding authority. The statute in Batterton, as the memorandum notes, gave the HEW secretary authority to set "standards." The very statutory provision relied upon by the Board for its authority specifically leaves the authority for setting "standards" with the agencies, not the Board. Batterton is, therefore, authority only for the proposition that standards may be binding, and the Board has no power to set standards.

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*/ Cited as American Steel Institute v. Train in staff memorandum.

One need only examine other cases relied upon throughout the memorandum to discern that when Congress has awarded an agency binding regulatory authority it has done so in the context of a reasonably thorough and detailed regulatory scheme subjected to full debate.*/ See, e.g., National Broadcasting Co. v. United States, 319 U.S. 190 (1943); Thorpe v. Housing Authority of the City of Durham, 393 U.S. 268 (1969); Manning v. Family Publications Service, Inc., 411 U.S. 356 (5th Cir. 1973). The 1978 Rehabilitation Act amendments share none of these legislative and statutory characteristics.

A fair reading of the legislative history and relevant judicial authorities leaves no room for doubt that Congress never intended that the Board should do more than issue guidelines which in no sense would be binding. Since the Minimum Guidelines and Requirements purport to be binding on standard-setting agencies, they are in excess of statutory authority.

B. Failure to Consider Costs

One of the most striking aspects of the procedural history of the Minimum Guidelines and Requirements is the studied resistance of the Board and its staff to including cost considerations when weighing proposed guidelines. This prevalent attitude was established early in the consideration of the guidelines by Paul Muldawer, a Board member and chairman of the Technical Standards Committee which drafted the guidelines. When some Board members indicated that costs should be weighed, Muldawer said that "the present economic status would not last forever and this [cost considerations] should not stop us from implementing this legislation." (Minutes, Technical Standards Briefing to Full Board, May 15, 1980, p. 3). A subsequent inquiry at the same presentation as to whether a cost analysis of the proposed regulations would be prepared apparently was ignored. (Id., at p. 9).

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*/ The memorandum also relies extensively on National Nutritional Foods Assn. v. Weinberger, 512 F.2d 688 (2d Cir. 1975) in support of the purported Board authority. The regulation at issue in that case was ultimately struck down as in excess of the statutory authority of the Food and Drug Administration. National Nutritional Foods Assn. v. Mathews, 557 F.2d 325 (2d Cir. 1977).

The disregard of cost impact also was reflected among the full Board a day later when it chose to petition Congress to relieve the Board of a statutory requirement that it produce a report concerning the cost to states and local jurisdictions of creating barrier free environments. (Minutes, May 16, 1980 Board Meeting).

The Board's unreasonable, cavalier approach to costs did not go unnoticed by the Office of Management and Budget, which met with Board staff members Sally Free and Irene Bowen on Sept. 24, 1980. A memorandum dated Oct. 10 from Bowen and Free reflects an extreme reluctance by the Board staff to consider any of the data available from government agencies as to costs, primarily on the ground that it was incomplete or lacked sufficient detail. The memorandum clearly shows the attitude of the staff and the Board that it was not the Board's duty to seek cost data from agencies or manufacturers. Such an attitude is particularly difficult to fathom given this country's unabated, high inflation rate and the constant concern about the economy expressed in all quarters of government in recent years. Requiring that those opposing the Board's detailed guidelines provide detailed, authenticated data while Board members ignored proven studies and adopted standards based upon their personal, unfounded preconceived notions or whims, as was the case with telephone mounting heights, truly is arbitrary and capricious.*/

OMB asked the Board on Oct. 6, 1980 to extend the period for comment on the proposed regulations to allow the Board staff an opportunity to prepare a revised draft regulatory analysis assessing cost issues. The letter stated that "the lack of quantitative analysis makes it impossible to know the economic consequence of the proposal and whether the regulatory objective is being achieved effectively at the least cost." The request for an extension of time was rejected.

On Dec. 10, 1980, presidential assistant Stuart Eizenstat and OMB Director James McIntyre again expressed concern that no thorough analysis of costs had been undertaken. Nor had the Council on Wage and Price Stability had an opportunity to evaluate the cost effectiveness of the guidelines. The new Board chairman, Mason H. Rose, responded to these concerns in a Dec. 18, 1980 letter to COWPS Chairman R. Robert Russell in which Chairman Rose set an arbitraty deadline of 10:00 a.m. on Dec. 29 for receipt of any analysis by COWPS. Chairman Rose also assured Russell that a cost analysis would be incorporated in the final regulatory analysis. No such analysis is incorporated.

Further, Rose stated that the Board's general counsel had concluded that OMB suggestions that a cost cap be set on expenditures for accessibility or that waivers from guideline standards be freely allowed based on cost would be "contrary to the law." We have been unable to find any support for such an opinion in the administrative record as produced to us. Nor do we understand how a reasonable cap or waiver would violate any statute.

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*/ There is no evidence that the Board ever considered costs of promulgating the 48-inch mounting requirement, although enclosure manufacturers had presented evidence of high costs. See comments of ADCO, Modular Systems, Benner-Nawman.

Numerous comments submitted after the proposed guidelines were published in August 1980 also emphasized the need for at least some estimate as to the cost impact of the guidelines. One of the agencies most affected by the guidelines, the Department of Housing and Urban Development, adivsed the Board in December, 1980 that a "systematic and thorough analysis" of the economic impact of any final rule should be conducted prior to implementation. "This is essential due to the potential of the guidelines to seriously affect the costs of programs operating within strict statutory cost limitation." Letter from Lawrence B. Simons, assistant secretary, December 1980 (exact date is unclear).

The attitude of the Board, and Chairman Rose, toward these entreaties was that further addressing costs would result in delay in issuance of the guidelines. (Rose's letter to R. Robert Russell, Dec. 18, 1980). In fact, the Board was desperately anxious to promulgate the guidelines before a new administration could take office and name new Board members as representatives of the public agencies. This is made clear by the minutes of the December 1980 Board meeting in which there was much concern to quickly elect a new chairman from amonq the public members and discussion that the regulations be made effective before the new members were appointed.

The above is only representative of the extensive public concern for the cost impact of the proposed and final guidelines reflected in the administrative record and the repeated efforts of the Board and its staff to ignore or put aside such concerns. We submit that the Board's attention to costs was so inconsistent, haphazard and generally indifferent as to constitute arbitrary and capricious behavior in violation of the Administrative Procedure Act. Further, the very fact that by the 1978 amendments Congress required the Board to address specifically the costs of creating barrier free environments reflects congressional intent that any guidelines be cost effective. Therefore, failure to consider cost impacts in a reasonable, effective, uniform fashion also violated the 1978 statute.

C. Failure to Adopt ANSI Standards.

HUD, especially, along with other government and private groups repeatedly urged the Board to adopt 1980 ANSI standards across-the-board with only minor changes where necessary. Instead, the Board adopted relatively few ANSI standards without at least some tampering.[*/] In many instances, no clear reason is offered for the change. Moreover, no substantial consideration was given to the benefits of adopting ANSI, in terms of either cost or convenience. Concern voiced by the Board that there would be greater public participation in Board-developed standards is heavily discounted by the Board's early decision not to fund public participation or hold public hearings. (Technical Standards Committee Minutes, April 23, 1980). Even the President's Commission on Employment of the Handicapped

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[*/] With respect to telephones, the Board failed to adopt Section A 4.31.3 of ANSI standards which provides for a 54-inch mounting height regardless of approach where calls can be placed through the operator without first inserting a coin. No reason was offered by the Board or staff for not adopting the provision. Also, and again without reference to any supporting data, the Board applied a 48-inch mounting height provision to diagonal reach, whereas ANSI standards provide for a 54-inch height. [ANSI Sec. 4.31.3] complained that the ANSI standards were abandoned entirely in about 40 percent of the Board's provisions.

Failure to adequately consider adoption of ANSI standards was arbitrary and capricious. This is particularly true in view of OMB Circular A-119, adopted on Jnauary 17, 1980, which establishes the "general policy of the Federal Government" is to "[r]ely on voluntary standards ... whenever feasible and consistent with law and regulation."

D. Timing of Effectiveness

As if to remove any possible doubt that the Board's unseemly haste to adopt final regulations was prompted by concern about the attitude of a new Administration, the Board made its guidelines effective as of the date they were adopted by the Board, January 6, 1981, and purportedly waived the 30-day waiting period required by 5 U.S.C. § 553(d). The reason offered for immediate effectiveness was the purported need "to expedite the development and issuance of consistent Federal standards" by the public agencies encompassed by the Architectural Barriers Act of 1978. Of course, had the 30-day waiting period been effected, it would have been possible for the new Administration to appoint new members to the Board who might attempt to withdraw the proposed guidelines so that they could be further evaluated.*/

The reason offered by the Board for waiver of the 30-day waiting period, even taken as true, can charitably be deemed ridiculous. No deadline has been established for adoption of the guidelines by the standard-setting agencies.

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*/ President-elect Reagan had announced that he intended to impose a regulatory freeze upon taking office January 20. Although the freeze which he enacted would not have effected the guidelines even with a 30-day waiting period (since the Board is an independent agency), we suspect that as of Jan. 6 the Board was uncertain whether they would be encompassed by the freeze, another reason, in its view, to rush the effective date.

The agencies could begin reviewing the guidelines immediately, without regard to an effective date. Merely asserting that guidance is required immediately does not, as a matter of law, constitute good cause for waiver of 5 U.S.C. § 553(d). See Mobil Oil Corp. v. Department of Energy, 610 F.2d 796 (T.E.C.A. 1979). It is clear that absence of required notice voids a regulation completely. City of New York v. Diamond, 379 F. Supp. 503, 516-518 (S.D.N.Y. 1974), and cases cited therein. For this reason alone, the guidelines must be set aside upon the most cursory judicial review.

E. Other Issues

The record as produced by the Board offers other areas which suggest that the Board rode roughshod over substantive and procedural rights and exceeded its statutory authority. Questions arise as to whether the detailed regulations promulgated are minimum guidelines and requirements or are, in fact, standards which the law provides that other agencies shall set. The manner in which the current Board chairman was chosen, based on a questionable interpretation of the statute by the Board's counsel, may have tainted the final approval of the guidelines. The same may be true of the imposition of difficult proxy rules by public members of the Board on agency members. Certainly, the arbitrary imposition of a comment deadline on the Council on Wage and Price Stability and the Office of Legal Counsel for the Department of Justice raise questions as to good faith on the part of the Board.*/ Closer examination of the record may reveal additional grounds suggesting that the guidelines as promulgated are without force and effect. Our failure to address them here does not, of course, constitute any waiver of our rights to do so later if necessary.

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*/ Board minutes show that the Board decided in October 1980 to forward legal questions to the Office of Legal Counsel, but intentionally waited until December to do so, imposing a one-week deadline for reply. The Board also refused to ask the Office whether the Board has authority to issue binding regulations.

CONCLUSION

We wish to again emphasize our hope that the Board will recognize the common sense logic of establishing a universal 54-inch mounting height for telephones, a standard 30-inch enclosure width and exempting wall-mounted telephone enclosures from the 27-inch "cane-sweep" rule. The Committee of Independent Telephone Enclosure Manufacturers is anxious to accommodate the nation's handicapped citizens and believes that the changes we are suggesting will do so while inconveniencing the fewest members of the general public and avoiding unnecessary cost increases.

The regulations as adopted concerning telephones are contrary to all human data which the record reflects was presented to either the Technical Standards Committee or the Board. The telephone mounting regulations are, as described herein, arbitrary and capricious and not in accordance with law.

Finally, we have offered our observations as to why we believe the guidelines in general are vulnerable to successful attack in the courts because of a failure on the part of the Board to observe certain substantive and procedural limits on its method and approach. We earnestly hope that we will not have to pursue these arguments further, but we have placed them squarely in the record upon reconsideration.

STATEMENT OF LEN RIPPA, DIRECTOR OF CONGRESSIONAL AFFAIRS, NATIONAL TAXPAYERS UNION

Mr. **Hardin**. Len Rippa, director of congressional affairs, National Taxpayers Union.

We are pleased to have you with us this afternoon, Mr. Rippa. Please proceed any way you would like.

Mr. **Rippa**. Thank you very much. I am pleased to have the opportunity to appear before the subcommittee and offer a few views on some very interesting subjects.

I might say that right off up front, the President's proposed stiff cuts in the budget appear to be in for tough sledding. Some of these cuts impact on the social economic concerns or social welfare programs that have grown at a truly alarming rate.

However, there are several programs in which immediate and positive adjustments can be made with very little or no impact on these concerns. Two of these are Amtrak and Conrail.

Your committee, Mr. Chairman, must decide on the level of subsidies each is to continue to receive. Except for special interest groups, and perhaps some Members of the Congress who appear dedicated to propagate big government spending, the National Taxpayers Union agrees that heavily subsidized programs such as Amtrak and Conrail—and there are others—have become an exorbitant drain on the taxpayers of this country, with no apparent end in sight.

The budget pie contains a finite amount of taxpayer dollars. Massive reductions must be made and priorities kept in perspective. We can no longer afford huge subsidies to segments of industry, while narrowing the line about which the poor, the underprivileged and the handicapped must survive. We must not ask them to bear the burden alone.

I don't suggest that Amtrak and Conrail problems are identical, but certainly they are interrelated, and both involve potentially huge amounts of taxpayer dollars.

Pertaining to Conrail, there are three basic issues:

One, the fundamental question of the validity of using taxpayer dollars to bail out bankrupt industries.

And second, compounding the philosophical approach is whether Congress has the right to commit billions of tax dollars in pursuing social programs, while attempting to rescue an insolvent situation.

As you know, title V of the 1973 3R Act has proved disastrous and will ultimately cost the taxpayer over $9 billion, guaranteeing salary protection for life for rail employees. This is an unmitigated disaster, and title V must be repealed, and everybody agrees with that, before any of the solutions that have been suggested for Conrail can even begin to become viable.

And third, users should pay for services received. Any solution to the Conrail mess must be decided on that premise. Continuing subsidies places an unfair burden on all taxpayers. Freight shippers, labor, prosperous railroads, these are the groups that should pay; not the taxpayers.

I have a little note here, I heard Mr. Blanchette the other day, and he stated that prosperous railroads benefit from the subsidies to Conrail through linking. If Congress elects to continue these subsidies, then some equitable user charge must be formulated to defray the cost to the taxpayer.

The problem of Conrail is far more complex than Amtrak. All Amtrak service could be eliminated tomorrow without a noticeable impact on the economy. Certainly we recognize the possible human trauma involved, but the ripple effect would be minimal. Conrail is a different proposition and a sudden collapse could affect the Nation's economy.

However, the administration suggested a controlled transfer to private railroads, which is a denationalization in effect, which would mitigate disruption of service. And, of course, substitute carriers are available. If others can do it without subsidies, what's so onerous about this? The free enterprise system—that's what it's all about.

The private sector solution for Conrail is paramount.

Amtrak has two basic facets:

One, the intrusion in the marketplace by the Federal Government. This was predicated by direct intervention 10 years ago by throwing billions of tax dollars under the guise of national interest, and this has disrupted the marketplace and undermined the free enterprise system, and the resulting competitive leveling forces of this marketplace. Subsidies of one segment of industry at the expense of others flies in the face of everything upon which this great country was built.

Is it really fair to ask the taxpayers to pay two-thirds or even half of every ticket for Amtrak riders? We think not.

Amtrak has argued that it should be accorded a special place because it is energy-efficient. I submit that this perception is false. If Amtrak could help solve the Nation's dependency on foreign oil, then it might be worth some of the billions of taxpayer dollars sunk into it.

It is often compared with the freight train, which is energy efficient in hauling tons of freight, which is much different than hauling passengers.

If we are really concerned about saving energy, then I submit that we have our priorities mixed up. The passenger train receives about 47 passenger-miles per gallon, the car about 42, and the intercity bus about 145, three times that of Amtrak.

And finally, I would like to set the record straight: We are not against trains. We have always argued against Government subsidies, and we believe that the fundamental system upon which this country is based will determine the economic viability of a particular enterprise.

The President's proposal to reduce subsidies will require Amtrak to recover operating cost at the fare box is very reasonable. It will be better for all concerned when we return to the free enterprise system and let the marketplace be the determinant.

The President's total economic program deserves the support of all Americans. Our members stand ready to support cuts across the board to restore fiscal sanity to this country, and Amtrak and Conrail are no exception.

One final note: The majority of riders on Amtrak are either business or vacation travelers. If we are to ask our citizens bordering the poverty level to tighten their belts as we struggle to bring entitlement programs under control, can we ask any less of Amtrak passengers?

We stand ready to work with the committee on these and other, we think, very difficult and sensitive issues.

Thank you very much.

Mr. HARDIN. Thank you, Mr. Rippa.

Senator Andrews regrets he was called out of the room, but you can be sure we will bring your testimony to his attention.

Mr. RIPPA. I appreciate it.

Mr. HARDIN. Thank you very much.

[The statement follows:]

STATEMENT OF LEN RIPPA

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE. MY NAME IS LEN RIPPA AND I REPRESENT THE NATIONAL TAXPAYERS UNION (NTU). NTU IS A NATIONAL NON-PROFIT, PUBLIC INTEREST ORGANIZATION REPRESENTING OVER 450 THOUSAND FAMILY MEMBERS IN EVERY STATE OF THE UNION. THE NTU WAS FOUNDED IN 1969 AND IS DEDICATED TO THE FOLLOWING GOALS:

- AN AMERICA WHERE FREE PEOPLE CAN WORK TOGETHER TO BUILD A BETTER LIFE
- AN HONEST ACCOUNTING OF GOVERNMENT FINANCES
- A REDUCTION OF GOVERNMENT WASTE, SPENDING, BUREAUCRACY, AND REGULATION
- LOWER TAXES FOR EVERYONE
- A CONSTITUTIONAL AMENDMENT WHICH OUTLAWS INFLATIONARY DEFICIT SPENDING AND REDUCES THE TAX BURDEN

I AM PLEASED TO BE HERE TO TESTIFY CONCERNING THE AMTRAK REAUTHORIZATION FOR FY 1982. WE FIRMLY BELIEVE, AS YOU DO, THAT THE TAXPAYERS' MONEY MUST BE SPENT WISELY AND IN THE BEST INTERESTS OF ALL OUR CITIZENS.

THE NTU HAS CONSISTENTLY CALLED FOR REDUCTIONS IN MANY PROGRAMS TO STOP WASTEFUL AND UNNECESSARY SPENDING. MR. CHAIRMAN, WE REALIZE THIS COMMITTEE HAS THE RESPONSIBILITY FOR AUTHORIZING FUNDS FOR A WIDE ARRAY OF PROGRAMS. WE KNOW THAT YOU FACE TOUGH AND DIFFICULT DECISIONS TO HELP REDUCE SPENDING TO A LEVEL CONSISTENT WITH THE MANDATE EXPRESSED BY THE TAXPAYERS IN THE NOVEMBER ELECTIONS.

THE PRESIDENT HAS PROPOSED STIFF CUTS IN THE BUDGET THAT APPEAR TO BE IN FOR TOUGH SLEDDING. SOME OF THESE CUTS IMPACT ON THE SOCIO-ECONOMIC CONCERNS OR SOCIAL WELFARE PROGRAMS THAT HAVE GROWN AT A TRULY ALARMING RATE. HOWEVER, THERE ARE SEVERAL PROGRAMS IN WHICH IMMEDIATE AND POSITIVE ADJUSTMENTS CAN BE MADE WITH VERY LITTLE OR NO IMPACT ON THESE CONCERNS.

ONE OF THESE PROGRAMS IS AMTRAK. YOUR COMMITTEE, MR. CHAIRMAN, MUST HELP DECIDE ON THE LEVEL OF FUNDING AMTRAK IS TO CONTINUE TO RECEIVE. EXCEPT FOR SPECIAL INTEREST GROUPS AND PERHAPS SOME MEMBERS OF THE CONGRESS WHO APPEAR DEDICATED TO PROFLIGATE BIG GOVERNMENT SPENDING, NTU AGREES THAT HEAVILY SUBSIDIZED PROGRAMS SUCH AS AMTRAK, AND THERE ARE OTHERS, HAVE BECOME AN EXHORBITANT DRAIN ON THE TAXPAYERS OF THIS COUNTRY WITH NO APPARENT END IN SIGHT.

THE BUDGET PIE CONTAINS A FINITE AMOUNT OF TAXPAYER DOLLARS. MASSIVE REDUCTIONS MUST BE MADE AND PRIORITIES KEPT IN PERSPECTIVE. WE CAN NO LONGER AFFORD HUGE SUBSIDIES TO SEGMENTS OF INDUSTRY WHILE DRAWING THE LINE ABOVE WHICH THE POOR, THE UNDERPRIVILEGED, AND THE HANDICAPPED MUST SURVIVE. WE MUST NOT ASK THEM TO BEAR THE BURDEN ALONE.

PRESIDENT REAGAN HAS PROPOSED A REDUCTION OF APPROXIMATELY 380 MILLION IN AMTRAK SUBSIDIES FOR FY 1982. FURTHER, THE ADMINISTRATION WANTS TO ACCELERATE AMTRAK'S RECOVERY RATIO OF OPERATING EXPENSES TO 50% BY FY 1982. WE SUPPORT THIS PROPOSAL AND ALSO STRONGLY SUPPORT THE OFFICE OF MANAGEMENT AND BUDGET PLAN TO REQUIRE AMTRAK TO RECOVER 80 PERCENT OF ITS EXPENSES THROUGH THE FAREBOX BY 1985.

MR. CHAIRMAN, WE AGREE WITH THE PRESIDENT THAT THE POLITICAL, ECONOMIC AND ENERGY IMPORTANCE OF PASSENGER RAIL SERVICE HAS BEEN EXAGGERATED FAR TOO LONG.

LET'S SET THE RECORD STRAIGHT. THE NTU IS NOT AGAINST TRAINS PER SE - THE NTU HAS CONSISTENTLY ARGUED AGAINST GOVERNMENT SUBSIDIES. WE BELIEVE THAT THE FUNDAMENTAL SYSTEM UPON WHICH THIS COUNTRY IS BASED WILL DETERMINE THE ECONOMIC VIABILITY OF A PARTICULAR ENTERPRISE. WITH RESPECT TO AMTRAK, THE CONSUMER HAS SPOKEN. IN SPITE OF AMTRAK'S ASSERTIONS THAT IT HAS SET NEW RECORDS IN HANDLING PASSENGERS DURING 1980, THE FACTS REVEAL AN ACTUAL DECLINE. ACCORDING TO AMTRAK'S OWN STATISTICS, THE NUMBER OF PASSENGERS CARRIED IN 1980 DECREASED BY ABOUT 200,000 AS COMPARED TO 1979. AS PASSENGER PATRONAGE

SLIPPED, THE AVERAGE COST PER PASSENGER INCREASED TO A RECORD HIGH OF 54 DOLLARS, WITH A REVENUE OF 20 DOLLARS, WHILE CREATING A LOSS BORNE BY THE TAXPAYER OF 34 DOLLARS AVERAGE PER PASSENGER. THIS TREND IS CERTAINLY INDICATIVE OF AMTRAK'S DISASTROUS PERFORMANCE OVER THE PAST 10 YEARS. IN 1972 FOR INSTANCE, AMTRAK'S OPERATING DEFICIT WAS $210 MILLION. BY 1980 THIS DEFICIT HAD TRIPLED TO OVER $650 MILLION. IF THIS TREND WERE ALLOWED TO CONTINUE UNCHECKED, ACCORDING TO THE FRA, EXPENDITURES OF NEARLY $1 BILLION WOULD BE REQUIRED BY 1982 AND COULD REACH THE STAGGERING AMOUNT OF $8 BILLION BY 1986. IF THIS IS ALLOWED TO HAPPEN, AMTRAK WILL REQUIRE APPROPRIATIONS DURING THE NEXT 5 YEARS DOUBLE THE AMOUNT IT RECEIVED IN THE FIRST 10 YEARS. IF AMTRAK CANNOT AT LEAST BREAK EVEN AFTER 10 YEARS OF TRYING WITH BILLIONS OF TAXPAYERS' DOLLARS, IT SHOULD BE ALLOWED TO GO THE WAY OF ANY OTHER CORPORATION THAT CANNOT SURVIVE THE MARKETPLACE.

AMTRAK HAS ARGUED THAT IT SHOULD BE ACCORDED SPECIAL TREATMENT BECAUSE OF ITS ENERGY EFFICIENCY. IF AMTRAK COULD HELP SOLVE THIS NATION'S DEPENDENCE ON FOREIGN OIL, IT MIGHT THEN BE WORTH SOME OF THE BILLIONS OF TAXPAYER SUBSIDIES.

THE CONGRESS AND THE PUBLIC HAVE BEEN INUNDATED WITH ENERGY STUDIES AND OPINIONS OVER THE PAST FEW YEARS AND I DON'T PROPOSE TO JOIN THE ARGUMENT HERE. HOWEVER, THE CONGRESSIONAL BUDGET OFFICE, THE GENERAL ACCOUNTING OFFICE, AND THE DEPARTMENT OF TRANSPORTATION HAVE ALL CONCLUDED THAT THE RAIL PASSENGER TRAIN IS NOT ENERGY EFFICIENT AND HAVE USED IN-DEPTH STUDIES AND ANALYSIS TO ARRIVE AT THEIR CONCLUSIONS.

PERHAPS FORMER SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT STATED IT BEST IN HIS REPORT TO THE CONGRESS RECENTLY CONCERNING RAIL CORRIDORS: "ONE CONCLUSION REACHED IN THIS REPORT IS THE RELATIVELY INSIGNIFICANT AND IN SOME CASES NEGATIVE IMPACT ON ENERGY CONSERVATION IF RAIL PASSENGER SERVICE WERE TO REPLACE EXISTING MODES OF TRAVEL IN THE CORRIDORS. EVEN THE BEST OF CORRIDORS RESULTS IN THE EXPENDITURE OF SEVEN DOLLARS FOR EACH

GALLON OF FUEL SAVED. FURTHERMORE, THE ENERGY SAVINGS OF THE RAIL CORRIDORS BEYOND 1985 MAY DECREASE IF AUTOMOBILE FUEL EFFICIENCY IMPROVES AT A FASTER RATE THAN FOR RAIL."

IN SPITE OF A GREAT DEAL OF MISINFORMATION SURROUNDING THE ENERGY ISSUE, THE PREPONDERANCE OF EVIDENCE IS SIMPLY THAT THE PASSENGER TRAIN IS NOT AN ENERGY EFFICIENT MODE OF TRAVEL -- THE BUS IS MORE THAN 3 TIMES AS EFFICIENT, AND THE AUTOMOBILE IS RAPIDLY OVERTAKING THE TRAIN.

LET ME ADDRESS THE ISSUE OF FARE LEVELS FOR A MOMENT. MANY ARE SHOCKED BY THE POSSIBILITY THAT FARE INCREASES MIGHT GO UP AS MUCH AS 100 PERCENT OVER CURRENT RATES. WHY DO WE FIND THIS SO SHOCKING? THERE IS NO QUESTION THAT THE MAJORITY OF INDIVIDUALS UTILIZING THE TRAIN ARE BUSINESS PEOPLE OR VACATION TRAVELERS. WHERE IS THE JUSTIFICATION FOR SUBSIDIZING THESE PEOPLE, WHEN OTHER PROGRAMS AFFECTING OUR CITIZENS WHO ARE TOO POOR TO AFFORD TO TRAVEL FACE SEVERE CUTBACKS? IF THIS GROUP COMPRISING LESS THAN 1 PERCENT OF INTERCITY TRAVELERS WANTS TRAIN SERVICE, THEY SHOULD BE EXPECTED TO PAY THE COST OF OPERATION. MR. BOYD, PRESIDENT OF AMTRAK, AND OTHERS BEMOAN THE FACT THAT OTHER MODES OF TRANSPORTATION HAVE RECEIVED CAPITAL ASSISTANCE IN THE FORM OF HIGHWAY AND AIRPORT SUBSIDIES. YET AMTRAK HAS RECEIVED BILLIONS OF DOLLARS IN CAPITAL FUNDS ENABLING IT TO BUY NEW CLUB CARS, NEW DOUBLE DECKER CARS, AND NEW LOCOMOTIVES. WE, THE TAXPAYERS, HAVE "FOOTED" THE BILL FOR ALL THESE CAPITAL "IMPROVEMENTS." AND IT'S NOW TIME TO PAY THE PIPER. THOSE WHO DESIRE TO USE AMTRAK MUST DO SO WITHOUT ARTIFICIALLY LOW FARES.

I BELIEVE WE MUST ALSO BE VERY CAREFUL IN HOW WE EVALUATE THE NEED FOR SUBSIDIES IN GENERAL, AND TO INTERCITY TRAVEL IN PARTICULAR. THE ARGUMENT THAT PASSENGER RAIL SERVICE SHOULD NOT BE EXPECTED TO BREAK EVEN, THAT IT IS IN THE NATIONAL INTEREST AND THE TAXPAYER SHOULD BE WILLING TO PAY FOR THIS SERVICE INDEFINITELY, RAPIDLY LOSES ITS APPEAL WHEN THE VERY

SURVIVAL OF THIS NATION'S ECONOMY DEPENDS ON GETTING THIS KIND OF SPENDING UNDER CONTROL.

ESTABLISHMENT OF AMTRAK IN 1970 BY THE CONGRESS INTERRUPTED THE NORMAL LIFE CYCLE OF AN INDUSTRY THAT WAS EXPIRING AS A RESULT OF ALTERNATIVES BROUGHT ABOUT BY PROGRESS, NOT IN SPITE OF IT. THE INTERCITY TRAVELER HAD CLEARLY EXPRESSED A PREFERENCE FOR AUTO AND PLANE TRAVEL IN THE MID 50'S AND BY THE LATE 60'S PASSENGER TRAINS HAD BEEN REDUCED SUBSTANTIALLY.

WE CAN'T VERY WELL OVERLOOK THE HUGE INVESTMENT IN THE NATION'S INTERSTATE HIGHWAY SYSTEM THAT BEGAN IN 1956. THE TREMENDOUS INCREASE IN AUTO TRAVEL BROUGHT ABOUT BY THIS NETWORK CERTAINLY ADDED TO THE RAPID DEMISE OF RAIL PASSENGER TRAVEL.

THE GREAT LOVE AFFAIR AMERICA HAS WITH THE AUTOMOBILE WILL LIKELY CONTINUE, REGARDLESS OF WHAT YOU DO HERE IN THE CONGRESS, MR. CHAIRMAN. I JUST DON'T BELIEVE WE CAN EXPECT TRAVELERS TO GET OUT OF CARS AND INTO TRAINS. AS AS PASSENGER CARS BECOME MORE ENERGY EFFICIENT, THE PROBLEM DEEPENS AND THE GAP WIDENS.

THE FEDERAL GOVERNMENT LITERALLY SNATCHED AMTRAK FROM THE ASHES OF AN OVER-REGULATED RAIL INDUSTRY BURDENED WITH IMMENSE PASSENGER DEFICITS CROSS-SUBSIDIZED BY THE FREIGHT SHIPPING PUBLIC. THIS GOVERNMENT INTRUSION IN THE MARKETPLACE UNDER THE GUISE OF NATIONAL INTEREST HAS REQUIRED MASSIVE INJECTIONS OF TAX DOLLARS TO KEEP THE PASSENGER TRAINS RUNNING.

THE PRESIDENT HAS GIVEN A CLEAR SIGNAL THAT THIS KIND OF SPENDING MUST END. REQUIRING AMTRAK TO ACCELERATE ITS SCHEDULE TO RECOVER OPERATING COSTS THROUGH THE FARE BOX IS THE BEST COURSE OF ACTION. TRAINS THAT FAIL COST/EFFECTIVE GUIDELINES SHOULD BE ELIMINATED WITHOUT REGARD TO POLITICAL CONSIDERATIONS.

IT WOULD APPEAR THAT THE ONLY ROUTE WITH PROFIT OR BREAKEVEN POTENTIAL IS THE NORTHEAST CORRIDOR AND AMTRAK ENERGIES SHOULD FOCUS ON THIS AND NOT BE DISTRACTED BY EXPANSION INTO THE SO-CALLED EMERGING CORRIDORS. THIS MAY

PROVIDE THE ONLY HOPE FOR THE TAXPAYERS TO REALIZE A PARTIAL RETURN ON THEIR "INVESTMENT" OF ALMOST 6 BILLION DOLLARS.

WE MUST NOT FORGET OR OVERLOOK THAT AMTRAK CONSISTS OF NOT JUST THE NORTHEAST CORRIDOR, BUT THE TOTAL ROUTE STRUCTURE ACROSS THE COUNTRY. RAIL PASSENGER SERVICE OUTSIDE THE NEC APPEARS TO BE MOSTLY "SUBSIDIES OF NOSTALGIA" AND IS AN ERA OF TRAVEL WHOSE TIME HAS BEEN REPLACED THROUGH PROGRESS.

WE ALL EXPERIENCE A TWINCE OF NOSTALGIA AT THE SOUND OF A DISTANT TRAIN WHISTLE. HOWEVER, RAIL PASSENGER SERVICE HAS NOW BECOME A LUXURY THE TAXPAYER CAN NO LONGER AFFORD.

CERTAINLY, MR. CHAIRMAN, THE NTU IS NOT AGAINST TRAINS. BUT IN THIS PERIOD OF SEVERE ECONOMIC CRISIS, WE MUST FACE REALITY AND LOOK TO A "PAY AS YOU GO" PLAN THAT BETTER UTILIZES THE ALL TOO SCARCE TAX DOLLARS.

WE HOPE THAT THE CONGRESS WILL REMAIN STEADFAST, MR. CHAIRMAN, AND SUPPORT THE PRESIDENT'S GOAL TO REDUCE THIS PROGRAM.

THE PRESIDENT'S TOTAL ECONOMIC PROGRAM DESERVES THE SUPPORT OF ALL AMERICANS. OUR MEMBERS STAND READY TO SUPPORT CUTS ACROSS THE BOARD TO RESTORE FISCAL SANITY TO THIS COUNTRY. AND AMTRAK IS NO EXCEPTION.

ONE FINAL NOTE, MR. CHAIRMAN. AS I POINTED OUT EARLIER, THE MAJORITY OF RIDERS ON AMTRAK ARE EITHER BUSINESS PEOPLE OR VACATION TRAVELERS. IF WE ARE TO ASK OUR CITIZENS BORDERING THE POVERTY LEVEL TO TIGHTEN THEIR BELTS AS WE STRUGGLE TO BRING THE ENTITLEMENT PROGRAMS UNDER CONTROL, CAN WE ASK ANY LESS OF AMTRAK PASSENGERS?

STATEMENT OF L. K. EDWARDS, TRANSIT INNOVATIONS, FALLS CHURCH, VA.

Mr. HARDIN. Mr. Edwards, Transit Innovations.

Please proceed, Mr. Edwards.

Mr. EDWARDS. Good afternoon. I would like to talk about the UMTA budget. It's a $4.6 billion budget, and particularly about the most important and largest sector of that, the rail capital grants portion.

To qualify myself to talk on the subject, I would like to just point out a couple of things:

I have been in this field for 19 years. I was author of a lead article in Scientific American magazine in 1965 on this kind of subject. U.S.

News and World Report in 1969 tells of a visit by the Department of Transportation Secretary to my test facilities in California.

I have been an invited speaker before formal planning groups in London, New York, Philadelphia, Los Angeles, and other cities, and have lectured at MIT, Princeton, Stanford, and other universities.

I support the capital cuts that the administration has proposed for fiscal years 1981 and 1982, but I think the reason for this support is very important. Just to make those cuts is a negative thing, and is a bitter pill, and at least you'd like to have a sugar coating for it.

What I would like to bring out it is if you make those cuts, you are going to open the door to an opportunity for much better transit, rail transit, for our cities in the future. Consider where those cuts are focused. They have to do with new starts, in Los Angeles, Houston, and other cities. And in addition to extensions in Atlanta, Baltimore, Miami, and other cities.

Now here's a problem: The DOT is getting the word out that these are not really to eliminate such things; rather they talk in terms of postponement, deferring, delaying; and further, that they will be done on a selection basis.

This kind of treatment just triggers the lobbying. You have seen some officials here today and some other organizations coming here to oppose the cuts and to make sure that they get their own before the cuts take effect.

That forecloses the opportunity for a much better solution to the rail transit problem. There is a better solution. It's called project 21, which is a rail system which has been coming along for 10 years now, and has a considerable maturity and credibility.

Time doesn't permit me to describe it in depth, but I would like to at least give you a few quotes of things that have been said about it.

An UMTA employee, 1973, in a letter:

> We have examined the project 21 concept and find it both interesting and esthetically attractive.

A department of transportation official in the State of California:

> What you have, and none of the other new systems has, is practicality.

The chairman of the Los Angeles County Board of Supervisors, in a letter:

> The system has a potential of being a feasible and efficient medium capacity transportation network.

And a book by a regional plan association done under an UMTA grant cites project 21 as an ingenious proposal for a dramatic reduction in guideway dimensions and costs.

Finally, Railway Age magazine just 2 months ago brought out that the design concentrates on slenderizing its structure to a triangle less than 6 feet wide.

Now the system can be very economical. It can possibly eliminate all need for Federal funding. Consider that most elevated rail systems for cities cost on the order of $30 million a mile, with 20-percent matching money, then the locality has to come up with $6 million a mile.

The project 21 system I am describing could be afforded for that $6 million a mile. So you might be able to eliminate virtually all of the Federal funding.

You can end up then with more cities and more miles as well.

We are not seeking an UMTA grant for this development. I want to underscore that. We are trying to line up the private capital to do this as a matter of private enterprise, but there is a problem. First, the Government should make it clear that these reductions in capital grant funds are going to stick; that they are not just a temporary thing; and second, there is a very important problem of Federal competition.

The UMTA staff itself, occupied with group rapid transit and air cushion and magnetic devices and so forth, to the tune of $70 million a year, as was noted earlier, it hasn't been producing results, but it's been using up the money, and that poisons the well for private capital investment in the kind of thing I'm talking about.

Now if the Government would cut funds and permit such a thrust, it would tie in with many of the Federal goals that are well known now. Let States and regions handle their own problems while the Federal budget is shrunk. Let private enterprise solve our problems. Create American jobs and rely less on imports and develop potential exports to get America going again.

So, to summarize, then: If you want to have an opportunity of this type to come about, go ahead with the capital cuts. Possibly cut even deeper. Make it clear that they are for keeps and not temporary. And then cut the budget and staff of the UMTA people who are competing right now with this kind of private thrust and inhibiting it.

Thank you for this opportunity to speak out for private enterprise and old-fashioned American ingenuity.

Mr. HARDIN. Thank you very much, Mr. Edwards.

[The statement follows:]

STATEMENT OF L. K. EDWARDS

I am here to talk about rail transit, which is the largest element in the $4.6-billion UMTA budget. I strongly support the capital cuts the new Administration has proposed. But my main objective is to show you how these cuts can open the door to better rail transit in the future.

Consider where the cuts are focused. First, they postpone new starts of heavy and light rail in a half-dozen cities. Second, they apply to extensions in cities like Atlanta, Baltimore, and Miami. But it is hinted that some of those extensions may be supported after further review. The message coming across is that new starts and extensions could proceed if we had plenty of money, but they must be deferred until some indefinite time when things get better.

This position evidently assumes that it is impossible to obtain good rail transit at reasonable cost. Shouldn't this assumption be examined? I will describe how the present situation can be turned to advantage, resulting in excellent rail service for more people in more cities than the recent plans would have achieved.

That's not all. You are acutely aware that the majority of transit cars are being imported today, and the same is true for much of the steel in the guideways. This hurts American jobs and also the balance of payments. Instead, we could be making our own, and exporting as well.

I come here as an innovator with unusual credentials. I personally directed the initial design of two of the most conspicuous successes in the history of aerospace: the Polaris missile and the free world's most-used satellite. Both were multi-billion-dollar undertakings.

Beginning 19 years ago I started intensive study of mass transit problems and solutions, first as head of a team at Lockheed and subsequently as president of my own corporation. Further information on my credentials is attached to this statement.

For nearly 10 years I have personally directed the refinement of a breakthrough in rail transit known as "PROJECT 21". This system's main distinction is that it provides two-way traffic on a slender elevated beam. It also features low capital cost, low operating cost, quick erection, and an opportunity to install networks in existing cities without condemning property.

You probably know that tunnels are the overriding reason why new rail systems cost so much and take so many years to complete. But tunnels have been unavoidable in recent decades because elevated lines would block too much sun and view in congested downtown areas. Project 21 solves that problem with its clean-looking, super-slender beam. And the details have been worked out to permit prefabrication at remarkably low cost, even when compared to conventional elevated transit.

What makes us so confident Project 21 would be acceptable? First, the two-track guideway is less than 6 feet wide, and causes only half as much shadow as the Seattle monorail. Second, the Director of City Planning in Los Angeles has stated that Project 21 would be acceptable above Wilshire boulevard. Third, the most prestigious Regional Planning body in the U.S. made a special point of Project 21's unique esthetic advantages in a recent published study.

How do we know the guideway will be low-cost? First, because it requires only a third as much steel per mile as the leading people-mover. Second, I have here a formal estimate by American Bridge Division of U.S. Steel for a 105-mile network in Los Angeles at slightly over $3-million a mile. That is for two-way traffic, of course. Today's rail, whether heavy or light rail, would cost three to five times as much.

How can we be sure Project 21 will avoid the pitfalls that have complicated and delayed the many recent efforts to introduce new technology? When you think about it, all of them — BART controls, METRO fare collection, Morgantown, Dallas-Fort Worth airport — got into trouble mainly due to automation. We avoid that, with conventional operator control. While fare collection is up to the buyer, we would advise simplicity there, also. In other subsystems, too, Project 21 relies mainly on features that have worked well for nearly a century:

- Steel wheel on steel rail
- 600-volt DC power
- A switch that differs very little from a classical railroad switch.

And we have undergone dozens of technical reviews with professionals in the U.S., Canada, and Europe. The most recent review was at a national meeting in January of this year.

Why haven't you heard of Project 21 before? That is a study in bureaucracy. The technologists at UMTA have been aware of Project 21 since 1973, and have made complimentary statements about it in letters to me and to the Los Angeles Department of Airports. But they never discuss it unless asked. Why? Because Project 21 comes from private enterprise, and competes with their own efforts, which are being supported by your taxes and mine to the tune of over $25-million a year. These same bureaucrats have a long history of disasters, from the tracked air cushion vehicle to the Standard Light Rail Vehicle to Transbus, but they will keep on trying as long as you provide the funds. A top UMTA official, who had refused for years to give any encouragement to new system proposals using steel-on-steel, retired recently and is now promoting a foreign system that employs steel-on-steel. But he is not alone; many other former DOT and UMTA executives are busily engaged in foreign imports, profiting from their earlier failure to bring about viable American products.

Because of this dismal history we are not seeking an UMTA grant to develop Project 21. Instead, we are undertaking to line up the capital for development as a private enterprise. When the system is fully proven, and that could be within the time needed to dig a conventional tunnel, Project 21 could be installed quickly in Los Angeles, Houston, Honolulu, Detroit, San Jose, and many other cities now hoping for 80% federal funds. It would be a better system, with many more miles and more of a network at any given level of investment. The operating cost might not be quite as low as the optimum heavy rail, but it would be drastically lower than buses, which DOT is offering instead.

Would installation of Project 21 in those cities require federal support? Perhaps not. The system's capital cost, mile for mile and including stations, will be hardly more than the 20% local matching share for heavy or light rail. So those cities might follow the current San Diego example and do their own thing with no federal involvement at all.

Project 21 is also an important alternative for extension of systems now under construction. As you know, four American cities have streetcar lines to feed into their heavy rail systems, and the arrangement is very satisfactory. But new streetcar lines are prohibitively expensive except when they can use ground-level right-of-ways, a luxury that is rarely available today. Project 21 avoids that problem, and thus becomes a practical alternative to billions of dollars' worth of extensions to heavy rail lines in Atlanta, Baltimore, Buffalo, Miami, San Francisco, and Washington.

What do we want? Paradoxically, it is to urge you to go along with the Administration's proposed cuts in the UMTA budget. In addition, we urge you to think about the present dichotomy as to future prospects. On the one hand, funds for new starts and extensions are greatly reduced, subject to your concurrence, of course. But the message is going out that these cuts are temporary, and will be selective. What would you do if you were a major city partway through the process toward a billion-dollar handout from Washington? You'd send the Mayor and the Governor, start a letter-writing campaign, join pressure groups, hire more lobbyists. The last thing you'd do is give up and look at alternatives.

If this Committee intends to put an end to Federal handouts for extravagant rail systems and wants to create an opportunity for something more cost-effective, I submit that you and the DOT officials need to broadcast your intention that the cutbacks aren't temporary — they're for keeps. Only then will the lobbying stop and the healing process begin.

From our standpoint, it is equally important for you to consider terminating UMTA's unproductive efforts to invent new gadgets and systems with tax dollars. As long as that effort grinds on, no one can assemble the capital for private development of something better, regardless of its intrinsic merits. The president of the New York Central railroad told me in 1967, "Bad money drives away good." The UMTA budget for Research and Training is now approaching $75-million a year, and that is largely for so-called research. What has it delivered? Its two largest contractors have just signed up to market and operate a French system in the United States.

What distinguishes a winner from a loser? The winner accepts a temporary setback and turns it into a stepping-stone to success. We see the reduction in Federal support for billion-dollar rail systems as such a setback, and Project 21 as the possible steppingstone to a better future for urban mass transit. Consider these benefits:

- High-quality rail transit at much lower cost-per-mile.
- Importantly reduced operating cost wherever Project 21 replaces buses.
- American jobs to build and equip the new systems.
- Good potential for American exports of this world-class breakthrough.
- Restoration of our tarnished image for world leadership in practical technology.

Finally, you might consider a sizeable reduction in the UMTA Research budget and staff, not only for the direct savings but also to make it clear to all concerned that beginning now the Government will encourage, not inhibit a[illegible] compete with, valid private efforts in mass transportation.

Thank you very much for this opportunity to speak out for private enterprise and old-fashioned American ingenuity. I will be happy to answer questions or furnish supporting information.

Enclosure 1

CREDENTIALS

Larry Edwards entered the field of Ground Transportation in 1964 after a distinguished career in aerospace engineering. He personally directed the preliminary design and systems engineering of the Polaris missile. Later he directed the preliminary design and systems engineering of the Agena satellite, which has participated in more space launches than any other satellite in the free world.

In 1964-70 Edwards conceived and refined the high-speed underground tube-train concept known as "Gravity-Vacuum Transit", which was the subject of Scientific American magazine's lead article in August 1965.

As founding president of Tube Transit corporation, Mr. Edwards was responsible for performance of several government contracts, including the first contract awarded to a private company by the Urban Mass Transportation Administration (UMTA). One contract was for over $100 thousand, with several subcontractors.

Over the years Mr. Edwards lectured and consulted on mass transit in the U.S., Canada, and Europe. Activities included:

- o Invited speaker before formal transit planning groups in London, New York, Philadelphia, Los Angeles, San Francisco, and other cities.
- o Lectured at MIT, Stanford, Princeton, Columbia, and six other universities.
- o Consulted for three corporations and the Canadian National Government.
- o Presented papers before national meetings of the ASCE, ASME, IEEE, and Transportation Research Board (TRB).

In 1971 Edwards conceived the PROJECT 21 elevated rail transit system, which was cited as "Patent of the Week" in the New York Times and has been the subject of papers before national meetings of the ASME, IEEE, and TRB. He is continuing refinement of that system as Manager of Transit Innovations, Falls Church, Virginia.

Edwards is a member of Phi Beta Kappa and an Associate Fellow of the American Institute of Aeronautics and Astronautics (AIAA). He holds some 15 patents, over half of them in the field of ground transportation.

Enclosure 2

QUOTES FROM AVAILABLE DOCUMENTATION

ABOUT THE PROJECT 21 SYSTEM

"It was a hit with the Committee members."
- San Jose Mercury, October 4, 1973

"We have examined the 'Project 21' concept and find it both interesting and esthetically attractive."
- UMTA employee, December 3, 1973

" . . appears technically feasible."
- Associate Administrator of UMTA, August 16, 1974

"What you have—and none of the other new systems has—is practicality."
- California Department of Transportation official, September 1975

" . . has the potential of being a feasible and efficient medium-capacity transportation network."
- Chairman, Los Angeles County Board of Supervisors, July 13, 1976

"An ingenious proposal for a dramatic reduction in guideway dimensions and cost . ."
- Book by Regional Plan Association, prepared under UMTA grant, 1978

" . . Project 21's design concentrates on slenderizing its combined structure/guideway to a roughly equilateral triangle less than six feet wide."
- Railway Age, February 9, 1981

ABOUT THE DEVELOPER

" . . a respected engineer . ."
- Editorial in New York Times, August 30, 1965

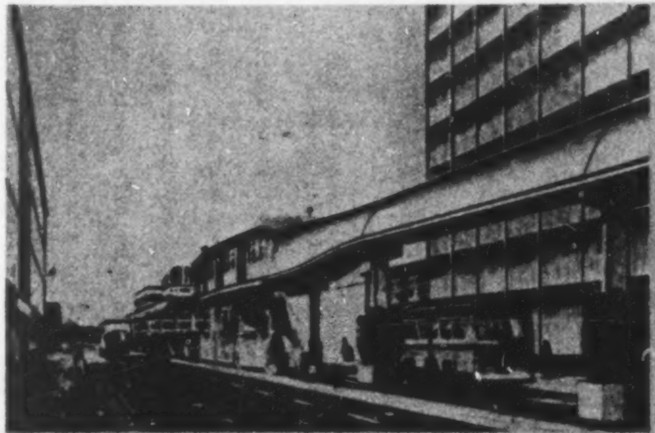
" . . a group of top-notch aerospace engineers, headed by Edwards."
- Editorial in Engineering News-Record, February 22, 1968

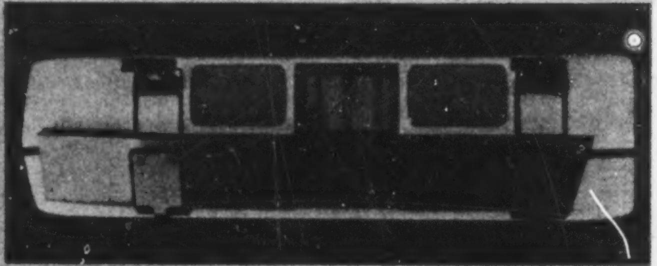
Host of a Californai visit by DOT Secretary Volpe
- U.S. News & World Report, June 9, 1969

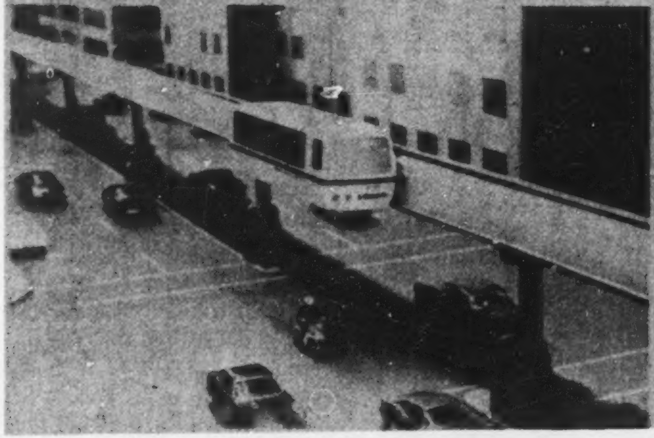
Inventor of significant new elevated rail transit system
- New York Times, June 28, 1975

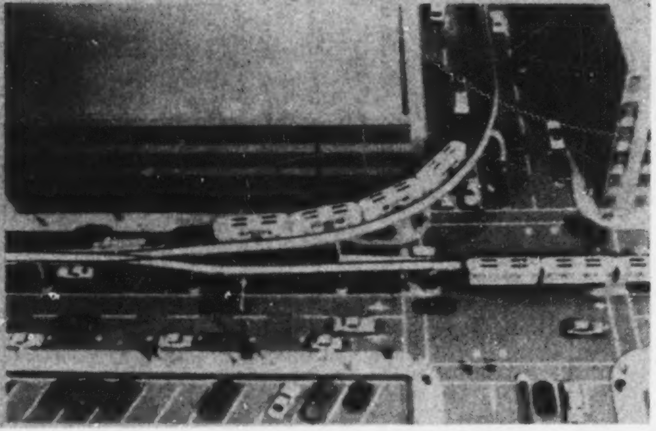
PROJECT 21 Rapid Transit System

HIGH ESTHETICS – MEDIUM CAPACITY – LOW COST









HOW PROJECT 21 COMPARES WITH CLASSICAL RAIL RAPID TRANSIT (RRT) AND STREETCAR SYSTEMS (LRT)

LIKE RRT	LIKE BOTH	LIKE LRT
Fully exclusive right-of-way	Two-way traffic on same alignment	Intermediate capacity
Real stations with elevators	Steel wheel/steel rail	Shorter trains
High speed	Railroad-type switch	Accessible operator
Prepaid fares	600-volt electric power	Diverse layout (many branches)
Level boarding		More stations per mile
Variable train length		Little or no signalization (optional)
Third-rail power		

ADDITIONAL PROJECT 21 FEATURES THAT ARE DIFFERENT FROM BOTH RRT AND LRT

More seats

Smaller cars

Open passageway car-to-car

Enclosed one-wheel trucks

Higher adhesion

Less need for tunnels

Much smaller guideway for 2-way traffic

Fully enclosed elevated stations

— very slender profile

— air conditioned

Better snow/ice protection

Prefabricated, reusable guideway & stations

TRANSIT INNOVATIONS 3507 Slade Run Drive Falls Church Virginia 22042 (703) 532-2360

STATEMENT OF BARRY WILLIAMS, ASSISTANT EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. HARDIN. Is Henry Kane present today?

[No response.]

Mr. HARDIN. Mr. Barry Williams. Mr. Williams, you are assistant executive director of the National Association of Railroad Passengers. We are pleased to have you with us.

Mr. WILLIAMS. I would like to submit supplemental testimony on the cost efficiency of Amtrak.

In late March the Director of OMB, David Stockman, and the Secretary of Transportation Lewis, both in separate TV interviews, alleged that Amtrak is running a lot of empty trains.

In fact, Secretary Lewis said 90 percent of the system is not carrying anybody. At about the same time the Washington Post dropped another one on us about empty trains rattling across the prairie.

I had an opportunity at that time to take a 6,000-mile round trip on Amtrak to San Diego and back, and I assure you that those empty trains are full of people. It's alarming to me that a public policy issue like Amtrak may be decided on reckless and totally false statements, such as those from Stockman and Lewis.

Many Amtrak trains are booked up in total through June and July at this time. A member of ours called from Illinois yesterday and said that he and a group of people had to ride in a baggage car Sunday night in central Illinois, because every seat in the train was taken, and there were standees in the aisles.

Amtrak is important to this Nation, and I think that is an indication.

Another indication is that I was in St. Louis on March 23 when Allen Boyd was before this subcommittee, and I'll tell you that the issue of Amtrak and the subcommittee hearing was the chief news story of the day in St. Louis. Senator Andrews was quoted hourly on the radio news, and his quotes and remarks appeared the following day on the front page of the Post Dispatch.

Len Rippa from the Taxpayers Union and other people have claimed Amtrak is robbing Federal funds that could go to the poor and needy. I think it's worth pointing out that a recent study from a Colorado marketing association shows that 40 percent of Amtrak's riders have an income of less than $18,000. There are a lot of poor people who do rely on Amtrak because they don't own automobiles.

On March 23, Senator Andrews made the remark that if Amtrak did not remain a national system, we may as well kill the whole snake, and I think Congress is going to do that. There has to be a national system, both because it needs a broad base of political support, and in addition there are economic reasons.

If you lose everything but the Northeast corridor, you have thrown away 73 percent of the company's passenger miles, and about 65 percent of the revenue base. Every region in this Nation needs safe energy-efficient rail transportation, not just the Northeastern States.

I think the election in November had a mandate to reduce inflation and to strengthen national defense, and neither of those are going to be achieved by eliminating train service this October and throwing people back into private automobiles.

The automobile in this country is one of the chief causes of our inflation, because it is the single biggest consumer of expensive imported oil, and I might add that this importation of oil is also threatening our national security.

Amtrak was created 10 years ago by a Republican administration, and the Transportation Secretary at that time was John Volpe, and I would like to conclude my remarks with a quote from a letter he wrote 2 years ago to House Transportation Chairman James Florio. This is from a letter dated May 14, 1979, from John Volpe:

> I have long been convinced that the passenger train has inherent characteristics of the most efficient mover of large numbers of people. It is by far the safest mode of travel. Our friends abroad in every industrialized Nation can't all be wrong. They are far ahead of us in developing new passenger train systems to meet growing demand and to offer their citizens an alternative to higher fuel costs and shortages.
>
> As I said in 1971, Amtrak is a beginning and a base upon which to build. It is time right now to build our nationwide rail passenger system and not let it be destroyed.

One final remark: I wish Len Rippa from the Taxpayers Union would update his statistics. We have been hearing this 47 passenger miles per gallon for 5 years now. That came from a report issued in 1977, well before the energy crisis of 1979, and well before gasoline price decontrol this January, and well before a lot of lighter weight equipment went on line.

We estimate that Amtrak is generating 80 passenger miles per gallon, and I will add that the Congressional Budget Office estimates that by the mid-1980's the automobile will only be up to 59. We say it's 80 now systemwide. The DOT, in the 1978 Amtrak restructuring report, said the LA-San Diego trains were already generating 100 passenger miles per gallon.

Mr. HARDIN. Thank you very much.

You mentioned in your testimony a Colorado study on the characteristics of Amtrak riders. Could you provide that for the committee files?

Mr. WILLIAMS. Glad to. Thank you.

Mr. HARDIN. Thank you very much.

[The statement follows:]

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. Summary

U. S. citizens are gradually being priced out of the automobile and airplane. Clearly established ridership trends--including high ridership on Amtrak since late 1978--show a growing market for rail passenger service. This growth has continued even after Amtrak implemented the policy mandated in the 1979 authorization of recovering a steadily growing percentage of costs from commercial revenues.

Therefore, we generally support Amtrak's position favoring discontinuance only of those routes where ridership is low, rather than the administration's policy which would eliminate all service outside the Northeast Corridor (NEC). We support discontinuance of the Washington-Cincinnati "Shenandoah," reduction of "Broadway Ltd." car-miles by provision of direct Washington-Pittsburgh service, and discontinuance of the Houston-Temple and Laredo-San Antonio legs of the "Inter-American." We oppose discontinuance of the "Cardinal" (Washington-Charleston, WV-Cincinnati-Chicago), which, by Amtrak's own account, meets the financial criterion, and we oppose elimination of all daily service in Texas.

We believe that Amtrak's market, and the market for public transportation generally, will grow rapidly as gasoline prices continue to rise and more "second family cars" wear out, to be replaced by reliance on public transportation rather than a new second car.

In this connection, Amtrak's capital request, already authorized, is particularly crucial because it could help assure maintenance of at least two U. S. manufacturers of rail passenger cars. That in turn would put people to work building affordable transportation and providing Amtrak with the capacity it will need to meet the demand.

The administration request would kill Amtrak. Service outside the NEC would stop immediately. Then, the NEC would fail politically *and* economically. 73.3% of Amtrak passenger-miles and about 65% of revenues were generated outside the NEC in FY '80. Many NEC passengers are making trips that also involve non-NEC trains. To sum it up, OMB's Amtrak budget recommendation at 37% less than Amtrak's request would reduce Amtrak's revenues by 65%, and more than double the cost-per-passenger-mile.

We cannot fight inflation by forcing people back into automobiles. Such a policy would also jeopardize our national security both by increasing our dependence on oil imports and by preventing development of significant rail passenger capacity for civilian use in a national emergency when our commercial airliners might be required for troop movements. Indeed, "defense" is a label more appropriately attached to rail projects than to interstate highways.

II. The Market is There

In 1979, NARP argued that most new train riders would stay with Amtrak after gasoline availability ceased to be a problem. Amtrak's own projections assumed retention of only 25% of the energy-crisis-induced ridership--roughly what happened after the 1973-74 oil embargo. In fact, Amtrak's ridership stabilized in FY '80. It was down 0.9% overall, but was up 3.4% if riders on trains dropped at the end of FY '79 are dropped from the FY '79 numbers.

As the numbers below indicate, ridership increases occurred precisely where the administration's plan would hit--outside the NEC. In fact, the table understates *demand* for the long-distance trains because only those trains are all-reserved. The table doesn't include potential riders Amtrak turned away for lack of space, but it does include standees regularly carried on the short-distance trains. Well-patronized long-distance trains *are* energy-efficient! According to U. S. DOT's May, 1978, "Preliminary Report" on the Amtrak route structure, the Los Angeles-Seattle "Coast Starlight" achieved 70 passenger-miles-per-gallon in 1977--and that was with old equipment and lower, pre-energy crisis ridership.

	FY '80 Psgr-Miles	Amtrak Ridership (Change from Year Before) FY '80	 1st Quarter FY '81
NEC	26.7%	10,780,368 (-1.7%)	2,524,762 (-7.6%)
Long Distance	57.3%	5,769,967 (+8.0%)*	1,375,863 (+10.9%)
Other Short Distance	15.9%	4,607,374 (+10.9%)+	1,171,461 (+16.5%)+

*Percentage based on FY '79 numbers that exclude trains dropped at end of FY '79

+Three short-distance routes commenced operation during FY '80 and one at start of FY '81. Ridership on these routes totalled 52,811 in FY '80 and 62,389 in 1st Quarter of FY '81.

Clearly, the public took this second energy crisis more seriously. Energy supply is now perceived as an ongoing problem, not a fluke of 1973-74. Likewise, increased automobile operating and ownership costs are strongly felt. A recent Hertz survey found that a 20-city average cost per-mile for subcompacts was 40.3¢, for small midrange cars 44.5¢, for intermediates 46.6¢, and for fullsize cars 51¢ (assuming 10,000 miles per year for three years; keeping cars five years cuts the cost about 3.5¢ per mile). 16% of U. S. households own no car and the number is rising. Those who are buying new cars are buying smaller cars less comfortable for intercity travel.

A solid indication of Amtrak's improved service quality, including much-improved on-time performance, is the sharp decline in complaints. In FY '80, passenger complaints were down 40% from the previous year on long-distance routes, and down 50% on short-distance routes excluding Metroliners. Specific trains which received improved equipment early in FY '80 showed even more dramatic results: complaints on the Chicago-Seattle "Empire Builder" were down 79.0% and they were down 80.9% on the Boston/NY-Chicago "Lake Shore Ltd."

Amtrak now has a consistently acceptable product, and the public is responding positively.

III. The President's Response

Secretary Lewis deserves credit for accurately labeling the 80% cost recovery goal as "not practical." We think Congress hit it about right in the 1979 law, which states that Amtrak is to cover "at least 44% of operating expenses, excluding depreciation, from revenues by the end of FY '82 and 50% by the end of FY '85."

It seems clear to us that $613 million, the administration number to date covering both operations and capital, would fund only the NEC. OMB's "black book" says the NEC alone would cost $400-500 million to operate. Amtrak says $130 million is needed for new-car construction underway for which Amtrak received a FY '82 appropriation one year in advance. Labor protection payments associated with discontinuing all non-NEC service could easily exceed $200 million.

As set forth by Amtrak President Boyd before a House subcommittee on March 10, the NEC would cost $260 million and there would be a $25 million shut-down cost for the balance of the system. Together with the capital requirement and labor protection costs, the total is actually $2 million higher than the President's request.

Implementation of the President's budget request for Amtrak would constitute an irrevocable dismantling of the system. Already, speed limits have been lowered on much of the mileage that Amtrak abandoned in 1979, and some of the track has been abandoned. "Railbanking" sounds nice. In practice, however, it is hard to think of a weaker claim on the federal treasury than payments to a railroad on behalf of a non-existent passenger train. Not surprisingly, the railbanking provision in the 1979 law has had little effect.

The abandonment of stations, particularly in major cities where they occupy valuable land, is another insuperable obstacle to service restoration that could stem from the President's plan. True, one can always put a small station in an outlying suburb, but such locations alone cannot attract the volume business that would be needed to justify service restoration.

The biggest cost of dismantling the system would be the lost opportunity to continue to develop a mode whose benefits are recognized by every other nation. As Former Secretary John A. Volpe wrote two years ago, "Our friends abroad in every industrialized nation can't all be wrong. They are far ahead of us in developing new passenger train systems to meet growing demand and to offer their citizens an alternative to higher fuel costs and shortages."

We are concerned about the administration's emphasis on "market forces" respecting rail in the absence of similar apparent concerns with respect to highways. Even if the President is successful in his efforts to raise air and water user charges (and the air user charges in the March 10 budget revisions are already scaled down from those proposed in the "Program for Economic Recovery"), no one is contemplating charging air, water, or highway users for the opportunity cost of federal dollars or the government's services as banker for these modes. Nor is there any plan to recover the sunk costs of previous capital investments--estimated by Secretary Coleman in a 1977 report as $15.8 billion for air prior to 1971 imposition of user taxes, and estimated in President Reagan's plan as $6 billion to date for water.

There are these further considerations:

* The highway trust fund now collects less than it pays out--by a margin of $100 million in FY '79 and $1.6 billion in FY '80.

* Nevertheless, highways are deterioriating.

* Much highway funding comes not from users but from general and property taxes, including funding for local streets, traffic control and other police functions, and snow removal. Some of this money comes from the railroads who, for example, formerly paid $700,000 to nearly $1 million annually in taxes on Washington Union Station alone.

* Highway and air users do not pay for the social costs they impose (noise, air, and water pollution; congestion). Their facilities are tax exempt.

As The Washington Post editorialized February 21--before the administration backed down on air user charges--'the net result of (the Reagan transport agenda) would be to make transportation by air, rail and water even more expensive while that by highways would remain as it is."

It appears to us that the administration's approach to Amtrak is an attempt to knock off a program perceived (as usual, from the White House) as politically vulnerable. It is not part of a comprehensive attempt to restore the rules of the market-place to transportation.

If Amtrak is dismantled and the public continues to get squeezed out of the dominant "fly/drive" network, there may be a strong negative reaction against those in Washington responsible for destroying the rail alternative. An indication of which way the wind is blowing may be found in Michigan. Although this state's economy has been battered perhaps more than that of any other state, its continued partial funding for certain Amtrak services is not in doubt, and the only new transportation project in the budget this year is money to start Amtrak service to Grand Rapids.

IV. An Appropriate Response

We generally support Amtrak. We particularly applaud their efforts to see that the U. S. will continue to have at least its minimal existing capacity to manufacture rail passenger cars. Amtrak has worked with Thrall Car Manufacturing Company of Chicago Heights and Kawasaki Heavy Metals Industries, which may eventually take over the Hammond, IN, plant scheduled to close today.

We oppose some of the cuts Amtrak has recommended. Amtrak's FY '81 projections, as we understand them, are:

	Loss/Passenger-Mile	Psgr-Miles/Train-Mile
Cardinal	9¢	121
Revised Inter-American	9.6¢	152
Current Inter-American	12¢	117
Shenandoah	21¢	43

The "Cardinal" meets the Loss/PM criterion (10¢ as inflated for 1982). Its PMTM would rise after discontinuance of the "Shenandoah" since both trains are overnight Washington-Cincinnati services and there would be some diversion. A further consideration is the conservative record of

Amtrak's marketing department. As noted on page 2, Amtrak was way off in 1979 when it projected retention of only 25% of energy-crisis-induced ridership and wound up with almost 100%. A more recent example: Amtrak projected PMTM for the new Chicago-Indianapolis service at 68 but the actual experience is about 95 (Congressional threshold for short-distance trains is 80).

In Texas, we support eliminating the Temple-Houston leg. We have long recognized that it could not succeed. There is a need for good, direct Dallas-Houston service but it can't be done this year without state funding.

We support elimination of the present Laredo-San Antonio service. We hope a convenient bus connection to the Mexican train at Nuevo Laredo can be established and that Amtrak may eventually help in extending the Mexican train through to San Antonio.

We oppose reduction of the St. Louis-San Antonio "Inter-American" to tri-weekly. This would mean tri-weekly-only service for the entire state of Texas and for Dallas, the nation's 10th largest SMSA and a city which has done as much as any to make its Amtrak station the focal point for new development.

In defense of daily service, I would again note that Amtrak's market projections are conservative. There may also be specific cost savings that can be negotiated. Legislative language might be devised to allow Amtrak to retain a train that stands to benefit from "emerging corridors" work. Whatever the solution, the fact remains that the Chicago-Texas service was the one 1979 restructuring obviously doomed from the start. Our October, 1979, newsletter stated: "Of the important trains surviving, only the Chicago-Texas "Inter-American" is clearly designed to fail the way it is now structured. NARP will continue to press Amtrak to improve the "Inter-American" so it will have reasonable market appeal." The riders should not be penalized with loss of their daily service because of 1979 decisions that were out of their hands and clearly not in the best interests of the long-term survival of Chicago-Texas service.

On Mar. 5, Amtrak Vice-President Clark Tyler testified before a House subcommittee that Amtrak viewed the administration's challenge as an opportunity to deal with some of the "more oppressive costs we face." This brings to mind labor costs, among others.

I've heard the comment: Chrysler workers have compromised, why not rail labor? Although the technical answer may be that they haven't yet been approached, the substantive answer may be: the administration has stated it wants to do everything reasonable to save Chrysler, whereas Mr. Stockman has long regarded Amtrak as a joke and Secretary Lewis has labeled it an "economic disaster." Why make big concessions when your enemy is determined to kill you anyway? If, on the other hand, Congress shows that it is not about to let Amtrak die, rail labor might be able to justify some of the changes needed to reduce Amtrak's costs.

Amtrak is not an economic disaster if one considers the contrast between the economic rules by which it plays and those affecting the other modes, discussed in part on page four. The fact is that economics of passenger trains steadily improve while those for auto and air steadily worsen. Amtrak's cost recovery ratio rose from 38.3% in FY '78 to 41.1% in FY '80 and is about on target (relative to the 1979 law) so far this year. This is in the ballpark with U. S. transit systems, which now average about 43%. Foreign national railroads fluctuate widely. In general, those nations with the lowest fares-to-costs ratio have the lowest dependence on the private automobile. Belgium and Italy are both at about 33%. France is just over 55%.

V. Rail-Bus Cooperation

The "black book" says the federal government shouldn't "subsidize travel between two points when the private sector offers common carrier bus and air travel services." What is the "private sector"? DOT's 2nd Progress Report on the Highway Cost Allocation Study, released in January, says: "Buses pay virtually no share of their cost responsibility under" either the existing tax structure or that proposed in the report "because their exemption from nearly all user taxes is assumed to continue." (President Reagan's plan states, at page 3-3: "Although aviation users have paid taxes in the past, the Congress has restricted the use of the resulting revenues to cover just slightly over 40% of the system costs. The general taxpayer has carried the rest of the burden.")

The bus/rail relationship should be primarily complementary--and it is. The State of Oregon received good cooperation from Trailways and Greyhound in production of a single timetable showing all rail and bus Portland-Eugene service. In one glance, you get more information than any but the most persistent layman would otherwise get. We think rail and bus can expand their joint work to gain more riders for both modes.

Amtrak opponents often show statistics indicating that a substantial percentage of Amtrak passengers would ride the bus if the train didn't exist. In the last DOT report, "Rail Passenger Corridors: Evaluation Method and Ranking," the figure was 28%, based on an Amtrak survey which asked its passengers a hypothetical question about what they would do in the absence of rail passenger service.

Actual results are different. Oregon recently established a mini-corridor service on Amtrak between Portland and Eugene and took the occasion to ask riders on the new service about their travel habits in the corridor prior to inauguration of the new trains. This survey found that virtually no one on the train had ridden the bus, whereas a substantial percentage of people surveyed aboard buses had also ridden the single train Amtrak previously offered.

In England, introduction of High Speed Trains between London and Bristol was accompanied by an increase in bus ridership! (Table shows percent market share.)

	London-Bristol			**London-South Wales**		
	CAR	TRAIN	BUS	CAR	TRAIN	BUS
Mar., '76	69	26	5	73	23	4
Mar., '77	58	36	6	67	29	4

Abandonment of rail passenger service means much greater dependence on the private automobile. This policy would be senseless, coming just when public acceptance of public transport is growing rapidly and when the quality of service is likewise growing. This includes long-distance trains. Despite Stockman's view of them as lavish "Delta Queens," the fact is that most long-distance passengers ride coach and have lower average incomes than on Amtrak as a whole.

VI. Inflation

U. S. overreliance on the energy-wasteful fly/drive system has fuelled inflation and is a principle cause for our $91 billion/year expenditure on imported oil. The transportation sector often leads the consumer price index. From December to January, the CPI rose 0.7% and transportation rose 2.5% (before decontrol). Heavy dependence on efficient rail passenger and public transit services help West Germany and Japan keep inflation to roughly one-third the U. S. level even as they import 97 and 100% of their oil, respectively.

Mr. Stockman ("Dunkirk memo") and noted energy analyst Albert J. Anton, Jr., of Carl H. Pforzheimer & Co. (Wall Street Week, Ch. 26, Feb. 27) expect a tightening of the oil market and significant price rises later this year. The President's plan states: "It is probable that the cost of owning and operating one's car will continue to increase faster than the inflation rate...." But the plan does not reflect appreciation of the full implications of that; it simply uses cost increases to justify sharper increases in mass transit fares and phasing out federal operating subsidies.

We must not abandon an Amtrak system averaging about 80 passenger-miles per gallon, with the potential to exceed 100, in favor of an air system that will average about 30 and autos about 60!

ADDITIONAL PREPARED STATEMENTS

Senator ANDREWS. I would like to submit for the record testimony by Thomas W. Beierle, chairman of the board of commissions for McLean County, N. Dak. We have also received a request from Senators Packwood and Randolph, and several others to submit written testimony which we will be happy to include for the record.

[The statements follow:]

STATEMENT OF THOMAS W. BEIRERLE, CHAIRMAN, BOARD OF COMMISSIONERS, McLEAN COUNTY, N. DAK.

Mr. Chairman, I am Thomas W. Beierle, Mercer, North Dakota, Chairman of the Board of Commissioners, McLean County, North Dakota. I am submitting this statement on behalf of the residents of St. Mary's Township, the YMCA Triangle Y Camp, the Camp of the Cross owned and used by the American Lutheran Church, the Lutheran Church in America and the Lutheran Church-Missouri Synod, and the other members of the public who utilize the recreational opportunities created by the Garrison Dam which was constructed by the Corps of Engineers.

We are requesting federal aid matching funds under Section 155 of the Federal Aid Highway Act. Since the time of completion of the Garrison Dam, recreational traffic using the county and township roads in this area has increased tremendously. At the same time local traffic needs have diminished because of the decreasing number of active farmsteads in the area. Funding sources available to the county and township are totally inadequate to cope with this increase in construction and maintenance needs.

The North Dakota State Highway Department has been most supportive of our efforts to deal with this problem. Engineers from the department have thoroughly reviewed the current situation and have developed plans for correcting the problems. The present roadway serving this area is narrow, the side slopes are steep, and sight distance is inadequate. The State Highway Engineers believe these conditions create a hazardous situation for the public using these roads. Wet weather conditions hamper travel on these roads due to the lack of surface gravel on the roadway.

Mr. Chairman, we are not asking for funds to pave the roads leading to the recreation area. It is proposed that minimum standards would be used in construction. We believe that if these sections were graded to minimum reasonable standards and a good gravel surfacing course placed, this would satisfy traffic demands. On the basis of a preliminary engineer's estimate the cost of this project would be $280,000, requiring $210,000 in federal aid at a 75 percent matching ratio. The local matching share will be provided by the county and township. There are a number of recreational facilities constructed on Corps of Engineers lands in this area. The YMCA Triangle Y Camp and Camp of the Cross are located in the western segment of this area. These two camps are probably the best developed and maintained around the reservoir. They have received comments from Corp of Engineers representatives that they are most attractive and well maintained.

The Triangle Y Camp hosts YMCA youths and in addition is open to other activities such as a wrestling camp, student council meetings, girl scout councils and others.

The Camp of the Cross is sponsored by the Lutheran Churches of the western district of North Dakota, and hosts a large number of youths throughout the entire season. The facilities are open for winter camps as well as summer camps. The campground is open for public youths along with a swimming beach, and at the present time the camp is submitting a request to the Corps of Engineers to install a boat launching ramp. The camp employs a full time resident caretaker.

Mr. Chairman, I would like to point out that while this camp is owned and operated by Lutheran Churches, it is supported and used by many other religious denominations and secular groups.

There are two cabin sites in the eastern portion of this recreational complex. There is a total of 115 lots which are available and being developed as cabin sites. These developments generate a large amount of traffic, not only during the normal recreational season, but year around, since several of these areas are used as principal residences.

In addition to these fixed and permanent developments on reservoir lands, the area is one of the popular fishing spots. This fishing activity requires access to many bay areas with considerable overnight primitive camping. This activity continues with ice fishing in the winter.

Mr. Chairman, I would like to submit for the record letters written by Rev. James L. Norlie, chairman of the Camp of the Cross Board of Directors, and Dave Rogers, director of the Triangle Y Camp outling their concerns about the roads in this area.

One of the major problems occurring on the existing road is that it is frequently blocked with snow during the wintertime. Regrading would alleviate this problem. The road is also narrow and dangerous for this amount of traffic, and particularly considering the number of youths using the road. The camps and residences are serviced two or three times a week with grocery trucks, and other types of service vehicles.

The St. Mary's Township Board received petitions containing more than 3,000 signatures requesting road improvement. The petitions were not localized, but were received from areas throughout the western portion of the state.

Mr. Chairman, these roads were built to serve the farms in the township. The tremendous increase in traffic to the Corps of Engineers recreational area has made these roads totally inadequate.

While there are many roads in this area used to gain access to the recreational area, we are only requesting aid to improve seven miles of road. We believe that this route, if improved, could accomodate the need for adequate access to the recreational area.

Mr. Chairman, we respectfully ask for you consideration of this request. I thank you for the opportunity to address your committee.

February 4, 1981

The Honorable Mark Andrews
United States Senate
Washington, D. C. 20510

My dear Senator Andrews:

I am writing on behalf of Camp of the Cross, near Garrison, North Dakota. Ours is a Lutheran Bible Camp which has served the State of North Dakota for approximately twenty-five years. We lease our land from the United States Government through the Army Corps of Engineers and are very pleased to have this site available for our ministry there. I am chairman of the Board of Trustees for Camp of the Cross. Allow me to thank you for any interest and support which you have given our camp in the past.

Presently, we are in an extensive development process which, we hope, will expand both program and facility for us. I have included, for your information, the development plan which was approved by our constituency at the last annual meeting of Camp of the Cross, 12 October 1980.

It has come to our attention, through the St. Mary's Township Board (the Township in which Camp of the Cross is located) that maintenance for the roads which provide access to our camp is in danger of being ignored because of lack of funds. We share usage of those roads with the Triangle Y Camp and the farmers in the area. As our program expands, use of the roads will increase. Neglect of them would, obviously, render them useless and access to the camp non-existent.

Mr. George Benshoof, chairman of the St. Mary's Township Board, advises me that he has communicated with your office on several occasions to describe the situation at hand. Since we lease our site from the Army Corps of Engineers, it is our opinion that the Corps should bear some of (or all) the responsibility for road maintenance.

Our support-base involves a large portion of the State of North Dakota. Three synods--The American Lutheran Church, The Lutheran Church in America, and the Lutheran Church-Missouri Synod--are owners, operators, and users of the camp. This means that the roads are used primarily by persons from outside the St. Mary's Township. Tax dollars to support road maintenance have been generated within the township itself. It seems obvious that the taxpayers are not the primary benefactors. We are seeking a happy solution to this inequity.

As chairman of the Board of Trustees for Camp of the Cross, I am happy to meet with you or your representatives if you are in the Bismarck-Mandan area. I am also happy to provide whatever information you might require for you to be an advocate for the St. Mary's Township Board. I am writing to your co-workers Senator Quentin Burdick, Representative Byron L. Dorgan and Highway Commissioner Walter R. Hjelle.

Thank you for your consideration in this matter. I await a speedy reply.

Sincerely,

James L. Norlie

James L. Norlie, Chairman
Camp of the Cross Board

March 17, 1981

Mr. David Gallagher
Nat'l Assn. of Towns and Townships
1521 16th St. NW
Washington, D.C. 20036

Dear Mr. Gallagher:

The Minot Family Ymca operates a summer youth camp on the north shore of Lake Sakakawea about 10 miles southwest of the city of Garrison, ND. Being the only YMCA resident camp in the state we serve children from all over North Dakota and even a few from neighboring states. I am enclosing a 1981 camp brochure so you will have an idea of what kind of programs we offer youngsters.

To arrive at the camp, a person must go west of Garrison on Highway 37 and then travel about 6 miles on dirt roads currently maintained by St. Mary's Township. These roads, I imagine, would be adequate for normal rural usage. However, we have approximately 120 youngsters, most of whom are driven to camp by their parents, attend Triangle Y Camp every week during the summer. So every Sunday, well over 100 vehicles drive to and from camp dropping children off, and, again, every Saturday that many come in to pick children up.

In addition to our YMCA camp programs, we are the site used by the NWNorth Dakota Girl Scout Council for their camping program, the North Dakota Lung Association for their asthma camp program, the North Dakota State Park and Recreation Department's residental Youth Conservation Corps program, and the North Dakota Wrestling Federation's wrestling camp. I think you can imagine with all the additional youngsters and attendant staff coming for these programs, the traffic gets to be quite heavy. We estimate that at least 500 vehicles drive to and from Triangle Y Camp each week during the summer months.

When it rains, the gravel roads leading to camp become a real mess. Cars get stuck and on some of the worst days, parts of the road become nearly impassable. For this reason, we and the other folks in St. Mary's Township are seeking some federal assistance in upgrading our roads. We would appreciate your support in this matter. If I can furnish you with any other information, please let me know.

Sincerely,

Dave Rogers, Director
Triangle Y Camp

Letter From Hon. Bob Packwood, U.S. Senator From Oregon

April 3, 1981

The Honorable Mark Andrews
Chairman
Senate Subcommittee on Transportation
   of Appropriations
United States Senate
Washington, D.C. 20510

Dear Mark:

Attached is a copy of the budget request of the Motor Carrier Ratemaking Commission created under Section 14(b)(1) of the Motor Carrier Act of 1980, Public Law 96-296.

The Administration has requested that $1.5 million of the $3 million authorization be funded in the Fiscal Year 1981 Supplemental Appropriations bill. At the meeting of the Commission on March 31, 1981, it was unanimously agreed to submit a budget request of $2 million for all salaries and expenses to the end of the Commission's activities on February 1, 1983.

As you will note the $500,000 requested above the Administration's request is a modest increase that will make a tremendous amount of difference in the effectiveness of the Commission's mandate of the Motor Carrier Reform Act. It is absolutely essential that this incremental increase for contract services be reinstated in the budget. Keep in mind, that the total budget request for the life of the Commission is still substantially below the original authorization of $3 million passed by Congress last session.

If I can provide you with any further information or details on this matter, please advise. Congressman Robert Roe, who serves as the Vice-Chairman of this Commission, and I are anxious to move ahead with the Commission's activities which have already suffered substantial delays in start-up.

Cordially,

BOB PACKWOOD

Motor Carrier Ratemaking Study Commission

PURPOSE OF THE COMMISSION

The Motor Carrier Ratemaking Study Commission was authorized by section 14(b)(1) of the Motor Carrier Act of 1980, P.L. 96-296. Its mandate is to investigate the collective ratemaking process of motor common carriers and the trucking industry's need or lack of need for continued antitrust immunity. It must estimate the impact of the elimination of such immunity upon truck rate levels and rate structures and give special consideration to the effect of the elimination of antitrust immunity upon rural areas and small communities.

During the extensive deliberations on the Motor Carrier Act, the Congress heard voluminous testimony on all the many issues contained in that legislation. One of the few issues on which the Senate Commerce and House Public Works Committees felt they did not have sufficient information to make an unequivocal decision was the issue of antitrust immunity for the trucking industry. Consequently, not being entirely comfortable with total elimination of antitrust immunity for this industry, the Committees, and the Congress as a whole, enacted a provision which has the effect of eliminating, by 1984, only the immunity which extends to the making of "single line rates". That immunity which extends to the making of "joint rates", that is, where two or more truckers each carry the freight for only a portion of a single shipment and jointly decide how much they will charge and how they will split the revenue, was retained in the Motor Carrier Act. This is the broad issue the Study Commission is to investigate: the need for antitrust immunity in the trucking industry.

The Commission is to be comprised of ten members: three from the Senate, three from the House, and four members of the public appointed by the President. Section 14(b)(12) authorizes up to $3 million to be appropriated for the Commission. Its report is due by January 1, 1983. According to the Act, if the report is late, this most important rate bureau reform will be delayed by six months.

A STRATEGY FOR STUDYING THE ISSUES

The Study Commission should develop a strategy for investigating the issues involved. An integral part of that strategy must be the use of analytical research on the issues at the same time it is hearing testimony from interested and knowledgeable parties such as shippers and carriers.

COMMISSION HEARINGS. The Commission will have to hold a series of hearings to take testimony. Fairness and good common sense both dictate that there should be regional hearings as well as hearings in Washington. We should not expect the smaller, less well-heeled carriers and shippers to be able to afford to come all the way to Washington to make their views known. Moreover, if we listen only to those who do come to Washington to testify, we may be missing an important point of view. Hence, we envision there will be approximately five to seven hearings in representative regions of the country.

ANALYTICAL RESEARCH. There has been a good bit of research done on the issue of collective ratemaking in the trucking industry, but much more needs to be done. Much of what we envision would entail statistical analysis of collective ratemaking as it has been practiced both before and after passage of the Motor Carrier Act of 1980, and the degree to which antitrust immunity has been successful in preventing unjust discrimination. In a very real sense, this will help us assess the benefits -- in terms of stable rates -- and the costs -- in terms of discrimination and rates higher than they would otherwise be -- of the present collective ratemaking system. The kind of research we envision would entail highly analytical economics, computer analysis of large volumes of data compiled by the industry itself, and a good bit of legal research into the issue of unjust discrimination, and how it has been litigated, as well.

USE OF APPROPRIATED FUNDS

Although P.L. 96-296 authorized the appropriation of $3 million, the OMB budget requests only $1.5 million for the duration of this Commission. This is requested in the FY 81 supplemental request. We agree that all the funds should be requested at this one time. There are a number of categories in which we do not believe OMB has allowed sufficient funding: personnel costs, travel, and "other services". The attached table presents the President's request and an alternative budget we believe is more adequate to the task.

PERSONNEL COSTS. OMB requests a level of 15 people at the Commission's full strength, and a relatively slow start up to get to the level of 15. The Department of Transportation originally envisioned a staff of 25 because of the tremendous amount of statistical work and research to be accomplished.

We believe that we can accomplish our mandate at this level provided there are sufficient funds available for outside contract research and legal analysis. However, we also believe that with an estimated 9 month delay in startup operations, the Commission must be able to "hire-up" much more rapidly than OMB assumes. The report deadline has remained fixed, we must get going on this with an even greater intensity of effort than previously envisioned.

TRAVEL COSTS. We believe we should hold several Commission meetings, requiring travel by the four out-of-town members; five to seven regional hearings which all ten members and some staff would attend; and staff field visits to a number of regional and special commodity carrier rate bureaus. Total travel costs should be increased by $20,000.

"OTHER SERVICES". The amount requested by OMB for this purpose, primarily contract research as we see it, is only $113,000. This is very low both in terms of the heavily analytical research we believe needs to be done, and in terms of the amounts appropriated for other study commissions of similar size and scope. By way of comparison, the National Transportation Policy Study Commission spent $849,000 on "other services" in fiscal years 1978-80, doing comparable work. We estimate this Commission will need a minimum of $600,000 for outside contract services through the life of the Commission (sunset expected February 1, 1983). This is particularly true in light of the sizeable decrease in expected manpower from 25 to 15.

MOTOR CARRIER RATEMAK STUDY COMMISSION

SALARIES AND EXPENSES

ID Code		Dollars in thousands 1981	1982	1983
11.9	Personnel Compensation	196	419	
12.1	Personnel Benefits	18	37	
21.0	Travel of persons	25	76	
23.1	SLUC	16	62	
23.2	Communications, etc.	10	40	
24.0	Printing, etc.	10	40	
25.0	Other services	280	320	
26.0	Supplies	10	15	
31.0	Equipment	10	5	
	Total Obligations	575	1014	411
	Total Permanent Positions	15	15	
	Full Time Equivalent Employment	7.00	15	

STATEMENT OF ERIC D. GERST, ESQUIRE, PHILADELPHIA, PA.

My name is Eric D. Gerst. I am a practicing attorney from Philadelphia. I am before you today on behalf of a number of short line railroads who face shutdown or curtailment of service if federal financial assistance is not continued.

For the past 5 years I have witnessed the growth of a new entrepreneurial spirit in the railroad industry, in the form of financially assisted short line railroads. These railroads were formed as part of an Act of Congress (the 3R Act) out of necessity to preserve the economic stability of former Penn Central Communities not being served by Conrail. These companies are energetic, innovative, and dedicated. Now, with the proposed cut-off of all federal funds (approximately $80 million dollars), the railroads may no longer be able to serve these communities and thus may face extinction. Certain of the lines have already been shut down, because the FRA has advised the states it may not honor its obligations beyond last October 1, 1980. Without a flow of funds, some of the railroads have had no other choice but to shut down.

The proponents of cutting federal assistance to short line railroads would have you believe that the short line railroad is essentially a local service problem and should therefore be funded and aided only by the States. This is just not true. Even the term "Local Rail Service Assistance Act" under which most of the short line funds are made available, is a gross misnomer. Short lines are not local rail lines at all. They operate in interstate commerce, and are certificated by the ICC. They operate under Federal Statutes and Regulations. They should be considered as feeder lines working in a national transportation system. In the present day atmosphere of merger of large line haul carriers, such as NW/Southern, or Chessie/Seaboard Coast

Lines, and with the rationalization (reduction) of other rail systems such as Conrail, the feeder routes could soon account for larger and more important segments of the railroad industry than ever before.

The FRA has indicated that there is money available for short lines through programs other than the Local Rail Services Assistance Act - such as Preference Share Financing, low interest guarantees. However, a review of the FRA policies to date have indicated that short lines simply are nowhere close to being able to receive the FRA funding from the other programs. Applications by large carriers clearly exceed the amount of funds available and nothing is left for the feeder routes.

Congress should appropriate sufficient funds and require FRA to earmark and spend funds for short line feeder routes, for capital improvements, acquisition, rehabilitation, innovative experimentation, and even in certain emergency situations, for a "rainy day" operational fund. While we all realize there could be some changes in the Local Rail Services Assistance Program, it should clearly not be eliminated.

Congress should require the Federal Government and the states to remain in a funding partnership for the short line rail feeder system, until another appropriate solution is found. The program cannot and should not be cut adrift, to be supported perhaps only by a willing but impoverished state. Under the present tax structure, states are clearly unable to carry the full burden. To say that the states can assume this burden may be simply "passing the buck", and creating an economic disaster.

Congress has the power to chart the course of proper transportation for years to come. The glib answer of "let the states handle the problem" or "let them move it by truck" is no answer at all. The nation needs federal financial assistance to continue for rail service, and specifically for the feeder routes, as the most energy efficient mode of transportation today.

If the assistance program to short lines is scrapped, the national feeder system may be lost forever.

We ask your utmost consideration of our position.

STATEMENTS OF JAMES R. SNYDER, CHAIRMAN, RAILWAY LABOR EXECUTIVES' ASSOCIATION

Mr. Chairman and members of the Subcommittee, the Railway Labor Executives' Association (RLEA) would like to thank you for the opportunity to present this statement on a subject which is vital to the 100,000 rail employees who work for Conrail and Amtrak. As I will explain more fully, it is our belief that the continued independent existence of Conrail is essential to the economic survival of the Northeast region of the country, and that this Government has an obligation to provide sufficient funding for Conrail to assure its survival. Also, it is RLEA's position that intercity rail passenger service is of vital importance to this country and that the Federal Government must provide the necessary funding to maintain the present level of Amtrak service.

Before getting into the substance of my statement, I believe a few words about RLEA would be helpful. The Railway Labor Executive' Association is a voluntary, unincorporated association of the chief executive officers of virtually all standard labor organizations which represent railroad employees today. The member organizations of RLEA are:

American Railway and Airway Supervisors
  Association, Division of BRAC
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and
  Canada

Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employes
Hotel & Restaurant Employees & Bartenders International Union
International Association of Machinists and Aerospace Workers
International Brotherhood of Boilermakers & Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots Of America
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

I am Chairman of RLEA's Committee on Legislation, and as such, I am speaking on behalf of the member organizations of RLEA and on behalf of the hundreds of thousands of railroad employees whom RLEA's member organizations represent.

RLEA's Chairman, Mr. Fred J. Kroll, President of the Brotherhood of Railway and Airline Clerks, has appeared before several congressional committees recently to present RLEA's views on the need for the continued existence of Conrail and Amtrak. I have attached to this statement copies of Mr. Kroll's statements which were presented to the Senate Subcommittee on Surface Transportation of the Committee on Commerce, Science and Transportation on March 17, 1981, when Mr. Kroll testified on Amtrak, and on March 24, 1981, when he testified on Conrail. I ask that those statements be included in the record of this proceeding.

I. Conrail Provides Rail Services Which Are Essential To The Northeastern Region of This Country, And It Is Less Expensive To The Federal Government To Continue Funding Conrail Than To Sell Its Assets To Existing Rail Carriers

Anyone familiar with the services which Conrail provides must admit that Conrail's operations are essential to the continued viability of the economies of the states in the northeastern region of our country. If all of Conrail's operations were to cease today and were not to resume within the near future, the Northeast would become an economic desert. Even Conrail's severest critics recognize the essential nature of its services, and consequently, the question currently posed by the cry for economic austerity on the part of government is in what manner can those important rail services be preserved with the least cost to the taxpayer. To the Department of Transportation, the answer is simple: simply sell off Conrail to profitable railroads, thereby relieving the taxpayer of the financial burden of subsidizing a deficit operation. RLEA submits that such a simplistic approach is unrealistic, and in both the short and long run will cost the taxpayer more than providing temporary aid to Conrail to become self-sufficient.

According to the Department of Transportation, railroads which interchange traffic with Conrail derive a substantial financial benefit from that interchange, and thus, the Department continues, those railroads will voluntarily acquire Conrail's lines if they were to be sold at favorable terms--i.e., at give-away prices with no obligation to hire or to protect employees. Following its optimistic approach to such sales, the DOT estimates that around 97% of the carloadings on Conrail will be preserved if the lines were sold to other railroads in the east, or 98% of the carloadings if western railroads acquired that trackage. Even in a liquidation situation, according to the DOT, almost 75% of the car movements would be preserved at no expense to the taxpayer. However, when those predictions are examined realistically, it becomes apparent that they are worthless.

Central to the entire scheme of controlled transfer is the belief that other railroads will anxiously acquire Conrail's lines. That was not the case back in 1973 when Congress was faced with the prospect of creating Conrail or losing rail service in the Northeast, and we submit the DOT has not pointed to anything new today to change that result. It is true that Conrail's tracks are, for the most part, in good shape today compared to their condition in 1973, but it is the traffic base which makes a line attractive, not its rail and ties. RLEA acknowledges that some rail properties will be purchased, but if

Conrail's desecration follows the pattern of the Rock Island and the abandoned Milwaukee Railroad lines, only a small fraction of the rail properties will be retained in permanent rail service. A short look at the Rock Island and Milwaukee situations will easily support our statement.

In February 1980, the Trustee of the Milwaukee Railroad was permitted to discontinue operatins over two-thirds of that railroad's system (about 6,600 miles out of a 10,000 mile system), and to this date, thousands of abandoned miles lie unused with customers along those routes either having gone to other modes of transportation at a higher cost or having gone out of business. Only 500 miles of that track were sold to existing Class I carriers (the Burlington Northern and the Union Pacific), and that trackage consisted mainly of terminal or connecting trackage. The Rock Island, with the exclusion of the Tucumcari line which was agreed to be sold prior to the Rock Island's liquidation, has even less trackage actually sold to existing carriers. Other Rock Island and Milwaukee lines have been sold or are being leased, but the purchasers are for the most part newly formed short line operators whose continued existence may be questionable, and the leases are not permanent. In short, if the Milwaukee and Rock Island are small examples of what can be expected if Conrail is forced to sell its lines, rail service in the Northeast under the DOT's proposal is in grave jeopardy.

Rail employees are also in serious jeopardy under the Department's plan for the Rock Island and Milwaukee have also taught us that few rail employees can expect to be hired by acquiring operators. For example, the Burlington Northern (BN) purchased approximately 400 miles of Milwaukee trackage, but planned to hire only 88 Milwaukee employees. Some of those employees were furloughed by the BN shortly after being hired due to cutbacks on the BN system. Milwaukee employees as a whole, however, have fared better than Rock Island employees who, according to our estimate, have experienced approximately 75% unemployment.

The DOT attempts to dissuade us from being concerned over the loss of jobs in a controlled transfer situation by stating that 45,000 to 48,000 employees will retain their employment if a controlled transfer of lines occurs. We have attached to this statement a copy of a projection for employment which the DOT compiled in February 1980 prophesizing that 69.4% of Rock Island employees, and 77.4% of unemployed Milwaukee employees would be hired by purchasing carriers. Those predictions, as we have stated above, have proven to be worthless.

When our experiences on the Rock Island and Milwaukee are carried over to the DOT's controlled transfer proposal, we conclude that possibly 20% of Conrail's trackage will be sold, and that possibly as many as 50,000 of the current 64,000 employees of Conrail who are in freight service will be unemployed if this Congress adopts the Administration's proposed plan for Conrail.

In our opinion, the DOT's rosy picture of a controlled transfer is illusory and, if that course of action is forced upon Conrail by means of a budget cut, the actual costs to the taxpayer will be greater than Conrail's proposed budget. A controlled transfer will take years to achieve, and in the interim the Government will be required to provide Conrail's service through the directed service provisions of 49 U.S.C. §11125, or similar legislation. Such operations on the Rock Island, a smaller system than Conrail, cost the taxpayers over $80 million for less than nine (9) months of actual operations, and several of those months were at reduced levels. The costs of such operations over Conrail, even according to the DOT, will cost hundreds of millions of dollars. But directed service costs are just one part of the actual cost which the Treasury will incur.

The unemployment of 50,000 rail employees will materially hasten the bankruptcy of the Railroad Retirement system, and may well cause repercussions throughout the rail system of the country which could threaten rail service. The loss of rail service to so many shippers in the northeast, as contrasted with car movements (it is estimated that 20% of the shippers account for

80% of car movements), will cause further unemployment, relocation of businesses and business failures, further diluting the flow of tax revenues.

Rail labor is well aware that in light of the need to trim the federal budget, some quarters have centered on Conrail as an easy target to achieve a portion of the needed budget cuts. However, when the situation is viewed in total, it becomes clear that it would be an exercise in fiscal folly to abandon Conrail at this stage of its development. Its physical plant has improved tremendously and it has projected, with very conservative revenue predictions, that it can achieve a profitable operating posture within a few years. Surely, now is not the time to scrap years and billions of dollars of investment to achieve a quick budget cut, especially when the short and long term costs from such an approach, aside from the great human suffering that it will cause, will far surpass the budget proposed by Conrail.

II. This Country Should Not Abandon Its Commitment To Preserve An Intercity Rail Passenger Service Capacity Simply To Obtain Small Budget Savings At This Time.

In 1970, this country concluded that it was essential to our national interests to preserve an intercity rail passenger service capability, and to accomplish that goal, Amtrak was created. In the ten (10) years of its existence, Amtrak has grown in experience and ability, and as Mr. Kroll testified on March 17, 1981: "[I]t is reasonable to conclude that Amtrak will cost the United States less in constant dollars in the future than it has in the past and with a greater return both in the quality and quantity of service provided." Statement of F.J. Kroll at 9. To adopt the budget for Amtrak proposed by the Administration will mean that Amtrak will discontinue all intercity rail passenger service outside of the Northeast Corridor; that in turn will mean that transcontinental intercity rail passenger service will be forever lost to this country.

Rail passenger service has played an important role in the development of this country, and it is reasonable to expect that with the increasing cost of fuel prices and depletion of this planet's fossil fuel supply, it will once again become important to a majority of Americans. To eliminate that service today will result in the disposal of locomotive, car and repair facilities, not to speak of the manpower necessary to operate that service, so that such service could not be started again; and with the great emphasis on defense spending today, rail labor finds it hard to understand how so many have forgotten the defense potential, and, indeed, defense necessity of cross-country rail passenger service.

RLEA respectfully submits that the Administration's proposed cut in Amtrak's funding is an example of the old adage of being penny-wise but pound foolish. We urge Congress not to make the same mistake.

Thank you.

Appendix G

ANALYSIS OF EMPLOYEE IMPACT

SUMMARY OF STATE-BY-STATE ANALYSIS *

State	Estate	Mileage Existing	Mileage Retained	Carloads Existing	Carloads Retained	Employees Existing	Employees Potentially Reemployed
AR	RI	605	383	59,269	47,718	906	437
CO	RI	258	-	18,539	-	64	-
ID	Milw.	162	162	28,578	28,578	89	89
IL	Milw.	488	228	168,473	166,713	2673	1871
	RI	257	257	132,320	132,320	2844	1777
IL Subtotal		745	485	300,793	299,033	5517	3648
IN	Milw.	178	170	72,083	72,083	257	257
IA	Milw.	1486	727	107,710	91,147	929	557
	RI	1717	1509	199,271	188,522	1043	975
IA Subtotal		3203	2236	306,981	279,669	1972	1532
KS	RI	1002	584	86,039	77,160	1335	1143
KY	Milw.	0	0	5,086	5,086	2	2
LA	RI	131	73	4,162	2,441	16	10
MI	Milw.	200	200	12,066	12,066	60	60
MN	Milw.	1047	649	177,474	172,022	1308	1113
	RI	174	111	23,833	22,901	98	98
MN Subtotal		1221	760	201,307	194,923	1406	1211
MO	RI	492	487	22,949	22,949	307	307
	Milw.	159	159	14,070	14,070	192	192
MO Subtotal		651	646	37,019	37,019	499	499
MT	Milw.	1006	1006	22,547	22,547	737	510
NE	RI	150	-	14,847	4,424	110	-
	Milw.	0	0	2,061	0	0	0
NE Subtotal		150	0	16,908	4,424	110	0
NM	RI	153	113	110	2	6	6
ND	Milw.	332	262	29,309	27,605	100	80
OK	RI	1055	412	96,773	75,921	1119	544
OR	Milw.	7	7	11,634	11,634	-	-
SD	Milw.	1394	1148	21,334	18,447	425	92
TN	RI	1	1	4,903	4,903	43	43
TX	RI	885	601	107,994	100,419	515	495
WA	Milw.	1197	906	184,253	160,904	1074	571
WI	Milw.	1375	1375	287,099	207,099	2988	2988
Grand Total		16,079	11,624 (72.3%)	1,914,866	1,777,761 (92.8%)	19,240	14,217 (73.9%)
Milw. Total		9,119	7,093 (77.8%)	1,143,857	1,098,081 (96.0%)	10,834	8,382 (77.4%)
RI Total		6,960	4,531 (65.1%)	771,009	679,680 (88.2%)	8,406	5,835 (69.4%)

* Estimated potential carloads retained and potential employees rehired or retained based on all bid packages received Feb. 1, 1980 and station by station traffic data (1977 for Milwaukee and 1978 for Rock Island) and 1979 employee lists.

Source: ICC Docket No. Ab-46 (Sub-No. 22) report served May 27, 1980, at Appendix G.

April 10, 1981

STATEMENT OF MR. J. R. SNYDER ON BEHALF OF THE RAILWAY LABOR EXECUTIVES ASSOCIATION BEFORE THE SUBCOMMITTEE ON TRANSPORTATION OF THE SENATE APPROPRIATIONS COMMITTEE ON THE F.Y. 1982 BUDGET OF THE FEDERAL RAILROAD ADMINISTRATION

My name is J. R. Snyder. I am the National Legislative Director of the United Transportation Union. This statement is being submitted by me as Chairman of the Safety Committee of the Railway Labor Executives Association. The RLEA represents 100 percent of the railroad workers in this country, and the names of the constituent organizations are as follows:

American Railway Supervisors Assn.
American Train Dispatchers Assn.
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees
Hotel & Restaurant Employes & Bartenders Int'l. Union
Int'l. Assn. of Machinists and Aerospace Workers
Int'l. Brotherhood of Boilermakers and Blacksmiths
Int'l. Brotherhood of Electrical Workers
Int'l. Brotherhood of Firemen & Oilers
Int'l. Longshoremen's Association
Int'l. Org. of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Assn.
Railroad Yardmasters of America
Railway Employes Dept., AFL-CIO
Sheet Metal Workers' Int'l. Assn.
Seafarers Int'l. Union of North America
Transport Workers Union of Ameri a
United Transportation Union

As in other years we appreciate this special opportunity to express rail labor's views on the next year's appropriations for the Federal Railroad Administration (FRA).

At the outset let me state that rail labor will not sit idly while rail safety is in the process of being downgraded. We recognize that there is great pressure upon you to cut funds. However, if reductions are necessary do not eliminate funds at the expense of safety. There are many other areas within the FRA where monies expended for certain research and for consultants have shown to be of marginal safety consequence.

Recently the FRA Administrator testified before your Committee. He pointed out that there had been a drop in accidents and in casualties. We congratulate the rail industry in any safety improvement. However, before Congress gets carried away with the Administrator's statement, the statistics he cited should be placed in proper perspective. In 1979 there were 101 deaths to employees on duty in rail accidents/incidents and in 1980 there were 97. The casualties per million train miles actually increased to 1.97 in 1980 (from 1.80 in 1979). There were 1209 collisions and 6,468 derailments in calendar year 1980. This translates into over 3 collisions per day and 18 derailments per day. These levels of safety are unacceptable by any reasonable standards.

The most critical need is for enough FRA inspectors to enforce adequately the existing Federal safety rules and regulations. FRA, with only 228 safety inspectors on board as of April 1, 1981, does not have sufficient inspection resources to put a dent in the safety figures. 1/ The Administrator of FRA testified that he is seeking to reduce 41 permanent positions from the original budget request. The enforcement effort may be starting to pay dividends and it seems the FRA cannot cope with safety success. Certainly, by cutting safety personnel, the enforcement program will suffer, as will the public.

2/ In FRA's Safety Division there are presently 228 safety inspectors, 55 clerical employees, and 60 supervisory employees in the field. Not including the Washington headquarters there is one supervisory personnel to every four safety inspectors. There are 62 employees in the Washington Safety Office which makes the efficiency of FRA's enforcement activities questionable.

We have referred in the past to FRA's "System Safety Plan" (September 1977), which stated that 800 safety personnel (inspectors, professionals, clerical, etc.) would be necessary merely to stop the increase in the number of train accidents and to contain that number at its then unacceptably high level. The explanation for FRA's need for large numbers of inspectors is obvious. FRA is required to inspect approximately 309,000 miles of track (much of which is badly deteriorated due to deferred maintenance), 28,400 locomotives, 1.7 million freight cars and 125,000 miles of signal systems.

The scope of the problem may be understood better by a brief summary of federal inspectors activities during 1980. Last year there were 7,000 inspectors under the freight car standards of 450,000 units. A total of 62,000 defects were found. In addition, there were approximately 15% more defective cars under the Safety Appliances Acts.

Last year the inspectors conducted almost 6,000 inspections of 30,500 locomotive units and discovered 25,400 defects. This shows 30% of the locomotives have defects which is the highest in recent history. By comparison in 1978, 12% of the freight cars were found defective, and in 1979, 15% were defective.

In recognition of the magnitude of the task and the increase in the number of accidents and injuries, the Congress in successive years has authorized over 600 safety inspectors for FRA. The House Committee on Interstate and Foreign Commerce, where these authorizations originated, has followed the rail safety situation and FRA's performance closely over the years. That Committee has repeatedly emphasized the need for more inspectors. The House Report on the Federal Railroad Safety Authorization Act of 1978 (H. R. Rep. No. 95-1176, 95th Cong., 1st. Sess. 7 (1978) pointed out that FRA had employed many fewer inspectors than the number authorized and reiterated a comment it made in its report on the Federal Railroad Safety Authorization Act of 1976:

> With responsibility for conducting inspection activities for well over 300,000 [sic] miles of track, over one million freight cars and thousands of locomotives and passenger cars, it is obvious to the Committee that FRA should request adequate funds and hire a sufficient number of federal inspectors to carry out that responsibility.

Nine members of the Committee went even further and submitted their "Separate Views On FRA's Lack Of Attention To Railroad Safety". The nine members stated that "one of the most disturbing aspects of the problem is that FRA has failed even to

> try to hire the number of inspectors authorized by Congress despite its own acknowledgement that enforcement by existing safety standards would eliminate a majority of the railroad accidents which occur each year.

New inspector positions have not been requested by FRA in the present budget for the Federal enforcement program nor were they requested in last year's budget proposal. However, last year your Committee did provide for a small increase in the numbers of inspectors. Rail labor believes that appropriations for all authorized positions are essential if FRA is to have the ability to eliminate the causes of rail accidents by enforcing its regulations systematically and thoroughly. Appropriating funds for fewer than 600 inspectors would be an inadequate response to the railroad safety problem. An appropriation for these federal inspectors will be cost effective. It would reduce the high property damage figure, and, more importantly, would help eliminate the high costs and human suffering attributable to the many injuries and deaths which are occurring on the railroads. As the House Interstate and Foreign Commerce Committee pointed out in its 1975 Report, _supra_, at p. 5, "the Committee believes that increased expenditures for improved railroad safety would

> reduce the present high cost of accidents, which caused substantial property damage, personal injury and a loss of life, and that such expenditures will be cost beneficial.

If this Subcommittee is unwilling to recommend funds for all the authorized 600 federal inspectors, we urge you to recommend appropriations for at least 50 additional inspectors as a minimum step toward improving railroad safety. Based on an average salary of $30,500 a year and an average cost of $15,600 a year for travel to remote locations which must be inspected, the total cost for an additional 50 inspectors would be $2.3 million.[2/] This figure is insignificant compared with the millions attributable to property damage from rail equipment accidents. Based on preliminary estimates train accidents in 1980 caused over $270 million in property damage. Also enforcement activities by the inspectors resulted in $15 million in fines collected last year. There appears to be a direct correlation between improved safety performance and the level of civil penalty collections. Therefore, inspection activities benefit the public in several ways: the budget process will have a positive benefit because (1) the general treasury will receive more funds from civil penalties than the sums expended in appropriations for inspectors' activities; (2) there will be improved safety performance; and (3) the cost to the taxpayer will be reduced.

Rail labor also urges this subcommittee to recommend earmarking specific funds to provide 20 days each month for

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[2/] The $30,500 per year salary represents an approximate average of compensation now paid to FRA field inspectors. The $15,600 per year for travel expenses is calculated by assuming 20 days of travel per month at a per diem rate of $50 per day and $300 per month for automobile mileage allowance. Thus, the total cost for one inspector for one year is $46,100. FRA could add the additional 50 inspectors without incurring substantial cost for added office space, etc., as such facilities are already available.

travel for each inspector employed by FRA. The essence of the inspector's function is to travel to the location where railroads are operated and inspect those locations. Every year, as long as we can recall, the travel money for safety inspectors has been depleted prematurely. FRA never seeks an adequate amount. The per diem costs have risen, the car travel expenses have increased, and the areas required to be inspected have been expanded. Yet the allocation within the FRA budget for this cost is the same as last year ($1.8 million) which permits the inspector to travel to distant rail yards only 13 days per month. Some inspectors are responsible for inspecting an entire state. In addition, FRA officials, at times, have diverted funds from this essential travel function to other purposes. Such practice should be prohibited by the appropriation legislation.

The Federal Railroad Safety Act of 1970 authorizes the Secretary of Transportation to make 50-50 matching grants to those states having approved safety enforcement programs. Each federal dollar thus buys two dollars worth of enforcement. The National Transportation Safety Board, has consistently described the State Participation Program as "potentially cost effective" and recommends that it be improved and strengthened. We understand that there are $2.8 million in carryover funds from previous years that may be used in FY82. This amount should be adequate for the states' enforcement activities.

This concludes my remarks on the appropriation for railroad safety. I earnestly hope that this Subcommittee will continue its support for railroad safety and will recommend the appropriations we have requested.

STATEMENTS OF FRED J. KROLL, CHAIRMAN, RAILWAY LABOR EXECUTIVES' ASSOCIATION

My name is Fred J. Kroll. I am a Chairman of the Railway Labor Executives' Association and International President of the Brotherhood of Railway and Airline Clerks. My Washington office is located in the AFL-CIO Building at 815 Sixteenth Street, N.W., Washington, D.C. Accompanying me is Mr. Fred A. Hardin, President of the United Transportation Union, and Mr. James E. Burke, Vice President of the United Transportation Union and Chairman of the RLEA Subcommittee on Conrail, and Mr. William G. Mahoney, counsel to the Railway Labor Executives' Association. On behalf of the Railway Labor Executives' Association, its members and the employees of the nation's railroads whom we represent, I wish to express our appreciation for this opportunity to present to you their views on a subject vital to Conrail, its approximately 80,000 employees and to our country.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

American Railway & Airway Supervisors Association, Division of BRAC
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline & Steamship Clerks
Hotel & Restaurant Employees and Bartenders International Union
International Association of Machinists & Aerospace Workers
International Brotherhood of Boilermakers & Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

As you may know, rail labor vigorously opposed the Penn Central merger until it became obvious that the Interstate Commerce Commission was going to approve that merger as it had approved every significant merger placed before it since 1957. In order to protect the employees of the merging railroads, the rail unions negotiated an employee protection agreement with the managements of those railroads. At that point the unions' active opposition to the merger ceased although they, through the RLEA, continued formally to oppose the merger.

The I.C.C., as expected, approved the merger and the employee protection agreement which we negotiated became the I.C.C.-imposed protective formula for all Penn Central employees, contract and non-contract alike, as required by Section 5(2)(f) of the Interstate Commerce Act.

I should note here that the facts of record demonstrate that the Penn Central employee protection agreement played virtually no part in the bankruptcy of that railroad from a cost or expense point of view. This conclusion is confirmed by the evidence placed in the record before the I.C.C. more than one year following the merger when the RLEA sought to have the protective arrangements extended to employees of the Penn Central subsidiaries who had been affected by the merger. The cost of employee protection was at that time, and later, miniscule compared with the hundreds of millions of dollars that the merged railroad was losing annually.

The employee protection agreement did play an unexpected, adverse role at the outset of the merger. As a result of the agreement's execution well before the I.C.C.'s approval order became final, the implementing agreements adjusting seniority rights, etc. which the protection agreement required, were also completed and executed prior to "merger day"; and, when that day came the two major railroads involved were thrown together too fast and instead of their gears meshing, they stripped. Had the implementing agreements not been in place on merger day, the physical coordination of the operations would have had to await the successful negotiation of those implementing agreements. Such a delay might well have permitted a more intelligent operational and physical merger of the rail properties involved.

Rail labor realized that a federal reorganization court applying the railroad bankruptcy laws could never pull the Penn Central from the operational and financial quicksand into which it had fallen. Rail labor early on sought the help of Congress. It knew that if Penn Central ceased operations totally or in substantial part, there would be economic chaos in the Northeast and very probably throughout the United States.

I am sure you recall the great efforts which were expended by the members of this Subcommittee and other members of the Congress as well as by many interested participants, including the RLEA, to secure enactment of legislation which would avert the economic catastrophe with which we were confronted in 1972 when the Penn Central Railroad threatened to cease operations due to its total financial collapse. I think it can be said with complete confidence that the legislative results of those efforts have been a benefit not only to the Northeastern United States but to the entire nation. And while Conrail certainly has not yet risen from the ashes of the bankruptcies of the Penn Central and the other Northeastern railroads which collapsed with it, it is obvious that without the legislation which created Conrail we would today be neck deep in a transportation crisis which would have this nation on its economic knees. I believe that everyone who had a part in the enactment of the 3R Act can be proud of that accomplishment.

Conrail quite obviously is far from perfect and changes may have to be made in its organizational and operational structures, but Conrail is vital to the viability of the rail transportation network of the United States. It must be continued in operation.

At the present time Conrail has the highest gross revenue of any railroad in the United States, $3.69 billion in 1979, $3.155

billion from freight alone. It retains 43.2% of the market it serves, having lost only .4% since 1976. Conrail carries 450,000 passengers per day and operates commuter service for transportation authorities in Connecticut, New York, New Jersey, Pennsylvania and Maryland. Conrail has on its active payroll 74,436 employees, down from 97,053 in 1976. Of this number, 62,593 work in freight service and 11,843 in passenger service. Conrail also has about 10,814 people on furlough. Of Conrail's employees, 41,388 are "fully protected" under Title V of the 3R Act and 12,744 are "partially" protected, meaning their protected status will expire in one day to five years depending upon the length of their service prior to enactment of the 3R Act. Among the protected employees are some 1672 on furlough from the railroad. See Appendix A attached to my prepared testimony.

Conrail's plant is improving daily and most experts agree that Conrail's traffic base will not go lower but will stabilize at about its present level.

The five-year trial period through which Conrail has just passed is hardly a reasonable basis upon which to destroy Conrail unless there is no feasible alternative. Indeed, considering the absolute destitution of the Conrail plant on April 1, 1976, which, for the three-year period between the enactment of the 3R Act and Conrail's takeover had been allowed virtually to stand and rot, its ability to retain its share of the market would indicate not only the need for its services but a certain success in its operation.

On a 1979 total gross revenue of $3.69 billion, Conrail's loss of $176.2 million is about 4.8%. According to the proponents of railroad deregulation, the benefits of that legislation are supposed to net Conrail $100 million; and, Conrail states that removing passenger service from the area of its responsibilities would remove an annual loss of $50-$100 million. Consequently, if we are to believe what Conrail has heretofore informed this Congress would be the results of the actions taken by Congress at Conrail's request, we must assume that on a 1979 traffic level Conrail could break even with no further changes in the law except the excision of responsibility for passenger service.

Conrail has also suggested that its employees should come forward - apparently unilaterally - and suggest ways in which they could reduce their earnings, such as eliminating their "work rules" and freezing or cutting their wages. In the first place, Conrail must be aware, as everyone in the United States with a modicum of knowledge in labor relations knows, wages, rules, and working conditions are bargained for collectively. Unilateral changes cannot be made and are not volunteered by either side. While Conrail seems to call on its employees to suggest unilateral changes which would reduce their incomes, we dare suggest that Conrail might look inward. Conrail surely is susceptible to improving management practices - "management work rules", if you will. It is common knowledge that Penn Central and its successor Conrail has continually suffered from terminal management disfunction. As Edward Deming, noted productivity expert has often pointed out (most recently on NBC-TV's Report "If Japan Can Do It, Why Can't We?"), management is usually 80% responsible for a bad productivity record. Employees, of course, are the easy, available target but management controls when, how, and under what circumstances the work gets done. The refrain, however, is always the same: Too many employees, getting too much money, for too little work.

In considering Conrail's performance, one must also realize that Conrail operates in an area which makes it "terminal intensive", that is, there are many short hauls with much switching of cars and many movements within terminals, all of which slow down the overall movement of a train between cities. Costs are higher and taxes are higher in the Northeast than elsewhere. A 200-mile run across Missouri, Iowa, or the Dakotas is not the same as a 200-mile run across the heart of the Northeast.

It is incumbent upon the Congress and the Administration now to weigh the present and the future costs of permitting the demise of Conrail. Removal of Conrail would not only cause unemployment for tens of thousands of Conrail employees and additional tens of thousands of wage earners who depend upon the existence of Conrail for their livelihoods, but it would steepen and hasten the overall economic decline of the entire Northeastern United States with all the adverse tax and welfare consequences such a decline would effect.

It seems to us a responsibility of the Administration and the Congress to determine what would be these long-range costs of eliminating Conrail. No one, to our knowledge, has presented to this Committee or any committee of the Congress an estimate of the full cost in dollars (such as additional highway maintenance expenditures due to the billions of additional truck ton miles over those highways; lower tax revenues; higher welfare payments) and the social cost measured in terms of the depressed quality of life inherent in the elimination of Conrail. Such an estimate is essential to an intelligent consideration of this problem, as we must know the difference between the full cost of eliminating Conrail and the cost of continuing it in operation.

As I noted a few moments ago, the employees of the railroads involved in the creation of Conrail and their representatives worked vigorously for a solution to the problem which had been created, through no fault of theirs, by the collapse of Penn Central and other Northeastern railroads. During the course of discussions which were held by numerous interested parties in search of a solution to that problem, it became clear that those railroads, which employed over 100,000 people would be required to cut back and extensively rearrange work forces. We knew that upon the enactment of any legislative solution to the Northeast crisis many of these employees would lose their jobs while others would be transferred to distant points.

The labor organizations desired the employees who were to be affected to have protection under the legislation at least as good as that which they had received with the Penn Central and which employees generally were provided in mergers in the railroad industry. A committee representing the various labor organizations was formed and discussed this matter informally with representatives of the railroads. The railroad management and labor representatives met with then Secretary of Transportation Claude Brinegar and he suggested that they work out a protective formula for inclusion in the proposed legislation.

Following the meeting with Secretary Brinegar a negotiating committee was formed with Southern Railway President Graham Claytor and Union Pacific Chairman Frank Barnett as management representatives and a number of union officers representing the interests of the labor organizations. Mr. Burke was a member of that committee, I was a member of that Committee and Mr. Mahoney acted as labor counsel to the committee. An agreement ultimately was reached and recommended to the Congress which adopted it as Title V of the Regional Rail Reorganization Act. The protective formula incorporated as Title V of the 3R Act was based upon the type of protection which at that time applied to virtually all of the employees of the Penn Central as well as those of the Erie Lackawanna.

The railroad labor organizations recognized that Conrail could not be successful unless they were willing to waive certain contractual and statutory rights which they had and could have exercised against the respective bankrupt carriers which would make up Conrail. Therefore, the organizations agreed to such waivers in return for the protection accorded the employees.

One of the contractual rights waived by the employees was the restriction on transfers of work between railroads. The employees agreed that work under Conrail's jurisdiction could be transferred from one former railroad property to another former railroad property at the discretion of Conrail management. There was also a provision made for the transfer of employees between what had been the properties of different railroads.

The employees also agreed to waive the contractual employment and compensatory protection they had obtained through many years of negotiations with the railroads and the statutory, ICC-imposed protections they traditionally and consistently had obtained in ICC merger, sale and abandonment orders. As consideration for those major concessions and other concessions, the Congress determined that the employees should receive the protections contained in Title V.

There was no way to discern with any degree of accuracy the cost of the application of Title V until the last employee entitled to protection actually reached age 65. However, a cost figure for the protective arrangement was set at $250 million. The figure was based generally upon a supposition which did not materialize. The railroad managements had conducted some studies and concluded that the major cost of the Title V protection would be confined to separation allowances and moving expenses, all to be paid within a relatively short time following Conrail's takeover. As it turned out, however, Conrail varied its operational plans resulting in more employees accepting displacement allowances and fewer accepting separation allowances than originally anticipated. Consequently, the largest payments have been made in the form of monthly displacement allowances. Of the $250 million in payments made under Title V under the first authorization, approximately 72.2% was in the form of monthly displacement allowances. (See Appendix B attached to my prepared testimony.) When the Staggers Rail Act amendments to Title V were being considered by the Congress, Conrail's employment force numbered about 94,000. Of that number some 80-85,000 were covered by Title V and approximately 12,000 of those (about 14%) were receiving displacement allowances. The Staggers Rail Act, of course, changed that situation.

Another, and major, reason for the reduction of the $250 million Title V funding at a faster rate than originally assumed has been the exceedingly sharp increase in the inflation rate since 1973; an increase which no one foresaw.

The Staggers Rail Act amendments virtually removed the necessity for paying monthly displacement allowances except to those employees deprived of employment. The authorization contained in that Act, however, is being expended at a faster rate than anticipated for two reasons: first, Congress did not fund Title V for about one year during which the railroads were not reimbursed for MDA payments which they had made and, as noted in Appendix B attached to my statement, the first appropriation under the Staggers Rail Act was consumed by the Railroad Retirement Board's reimbursement of those payments to the railroads which had made them (Michigan Interstate received no reimbursement as it has not paid its employees the money owed them under Title V since February, 1980); and, second, the severe recession, if not depression, in the auto and steel industries which has caused the lay-off of over 1672 protected Conrail employees. (See Appendix A attached to this statement.)

The employees and their representatives want to be fair in this matter. They want Conrail to succeed. Conrail, however, must cooperate in seeking a solution to our common problems. There has been no such cooperation in the past. See, for example, the letter of Mr. Albert A. Terriego of the Transport Workers Union attached to my statement as Appendix C to which there has been no substantive reply. Rail labor cannot work alone and in a vacuum.

Instead of seeking solutions with the representatives of the Conrail employees, Mr. Crane, the chief executive officer of Conrail, to date at least, has sought government assistance in evading Conrail's responsibility to its employees, not only under Title V but also under the employee protection provisions of all other federal statutes such as the Interstate Commerce Act. See

Mr. Crane's letter to OMB Director David A. Stockman attached to my testimony as Appendix D. Conrail's report, released recently, seeks legislatively imposed modifications in its collective-bargaining agreements. Such actions can be viewed as nothing less than a prelude to the deliberate dismantling and destruction of Conrail.

Before I conclude I would like to note two inadvertent errors in the Staggers Rail Act which require amendment. I have attached suggested proposed amendments which would correct those errors.

The first involves an error made in Section 503(a) of the Staggers Rail Act. That provision involves a right reserved to Conrail to transfer employees. Amtrak submitted a suggested provision which would have extended that right to all railroads employing protected employees - there are nine such railroads (see Appendix B to my statement). It was then decided by the Conference Committee to restrict the transfer right to Amtrak and to seniority districts within Amtrak and the Conference Committee Report clearly reflects that intention. However, the print of P.L. 96-448 contained the original Amtrak-suggested language which the Conference had rejected extending the transfer right to all railroads but restricting the right on Amtrak to seniority districts. Our proposed amendment as set forth in Appendix E would correct that error.

In modifying the original Title V formula for calculating monthly displacement allowances, Section 501 of the Staggers Rail Act amended Section 505 to authorize, in the case of non-operating employees, an increase in the rate an employee was guaranteed when he attained a permanent promoted position. However, this protection inadvertently was not extended to the employee affected by a supplemental transaction. The result is that an employee with pre-3R Act service of five years and one day who is affected by a supplemental transaction would have the promoted rate protection while an employee with five years less one day's service would not. The provision as it now stands produces an unintentioned and discriminatory result. The suggested amendment attached hereto as Appendix F would correct this error.

In closing, we add only this: it seems to us obvious that in the zeal and exuberance of "cost cutting" we must not irreparably sever an artery. We must consider the long-range effects upon the welfare of this nation of everything we do today. Rail labor simply cannot believe that the survival of this nation must be purchased solely with the bone and blood of its working middle class and its poor. If there is no answer other than that to our problem, it may be a sign that the American experiment in government has failed.

SURPLUS

Month of JAN 1981

Union Titles	Codes	New Haven	New York	Newark	Philadelphia	Baltimor	Harrisburg	Buffalo	Altoona	Pittsburgh	Cleveland	Detroit	Chicago	Indianapolis	TOTALS
ock Operators	19	3	0	22	1	4	0	0	3	12	1	2	2	46	96
oilermaker/Blacksmiths	14	0	0	0	0	0	1	0	0	0	2	0	0	0	3
rmen	26/08	5	0	5	0	0	2	35	6	3	87	1	15	33	182
erks	09	0	0	0	0	0	0	0	1	1	0	52	1	3	58
ectricians	15	1	0	0	9	0	0	0	0	0	2	0	0	2	14
gineers	03/04	0	0	22	0	0	0	58	0	2	99	0	29	5	215
remen & Oilers (Laborers)	16	0	0	0	0	0	0	0	0	0	0	0	1	0	1
chinists	13	1	0	0	0	0	0	0	0	1	12	2	[illegible]	5	24
of W	05	13	0	75	1	3	12	31	0	5	14	1	[illegible]	45	228
eetmetal Workers	25	0	0	0	1	0	0	1	0	0	0	0	0	0	2
gnalmen	06	0	0	0	0	0	0	0	0	0	0	0	2	0	2
pervisors (ARSA)	31	1	0	1	0	0	0	1	0	0	0	0	2	0	5
ainmen	07	0	0	65	0	0	0	135	0	70	325	0	34	149	796
ain Dispatchers	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ardmasters	21	0	0	0	0	0	0	0	0	0	0	0	0	4	4
otel & Restaurant	11	0	0	7	1	2	0	0	0	0	0	0	0	0	10
arine	--	0	0	91	0	24	0	0	0	0	0	19	0	0	92
	TOTALS	24	0	236	13	33	15	249	10	67	592	77	117	292	1672

-1,672 + MSPTL

Excludes
- ees on voluntary furlough
- ees in receipt of transfer notices
- ees whose MDA benefits have expired

1/27/81

APPENDIX B

STATUS OF ADDITIONAL AMOUNT AUTHORIZED FOR APPROPRIATION UNDER SECTION 509 OF THE REGIONAL RAIL REORGANIZATION ACT AS AMENDED BY THE STAGGERS RAIL ACT OF 1980

AMOUNT AUTHORIZED FOR APPROPRIATION		$235,000,000.00
DOT(FRA) SUPPL. FY 1980	$61,600,000.00	
DOT(FRA) FY 1981	$ 7,500,000.00	
TOTAL APPROPRIATED		$ 69,100,000.00
BALANCE AS OF JANUARY 31, 1981		$165,900,000.00

STATUS OF ADDITIONAL AMOUNT AUTHORIZED FOR EXPENDITURE FOR MONTHLY DISPLACEMENT ALLOWANCES

AMOUNT AUTHORIZED FOR EXPENDITURE[1/]	$180,000,000.00
MDA EXPENDITURES AFTER ENACTMENT OF THE STAGGERS RAIL ACT OF 1980	$ 60,375,100.06
BALANCE AS OF JANUARY 31, 1981	$119,624,899.94

[1/] The Staggers Rail Act of 1980 provides that no more than $180 million of the additional $235 million authorized for appropriation under section 509 of the Regional Rail Reorganization Act may be spent for monthly displacement allowances.

STATUS OF AMOUNT APPROPRIATED BY DOT(FRA) UNDER SECTION 509 OF THE REGIONAL RAIL REORGANIZATION ACT

AMOUNT OF APPROPRIATIONS			$69,100,000.00
REIMBURSEMENTS PAID TO:			
CONRAIL	$56,768,170.95[1]		
PENN TRUCK LINES	$ 4,993,480.20		
AMTRAK	$ 3,986,163.54		
GRAND TRUNK WESTERN	$ 86,746.20		
MICHIGAN INTERSTATE (ANN ARBOR RAILROAD)	$ 64,529.90		
DELAWARE & HUDSON	$ 62,336.26		
NORFOLK & WESTERN	$ 29,903.32		
TOLEDO, PEORIA & WESTERN	$ 6,462.43		
DETROIT, TOLEDO & IRONTON	$ 1,129.10		
		$65,998,921.90[1]	
AMOUNT TRANSFERRED TO RUIA ACCOUNT FOR RECOVERY UNDER SECTION 2(F) OF THE RUIA		$ 3,101,078.10	
TOTAL EXPENDITURES			$69,100,000.00
BALANCE AS OF JANUARY 31, 1981			$ -0-

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[1] In accordance with the December 18, 1979 decision of the Comptroller General of the United States (File: B-114817) affirming the authority of the Railroad Retirement Board to setoff reimbursements due railroads from the Regional Rail Transportation Protective Account against amounts owed to the Board, $20,147.86 was set off from the reimbursement due ConRail to recover money owed to the Board by ConRail under section 2(f) of the Railroad Unemployment Insurance Act.

TITLE V OBLIGATION FOR WHICH FUNDS ARE NOT AVAILABLE FOR REIMBURSEMENT

CONRAIL[1/]	53 CERTIFICATIONS	$19,070,939.23
AMTRAK	11 CERTIFICATIONS	$ 396,401.27
MICHIGAN INTERSTATE (ANN ARBOR RAILROAD)	1 CERTIFICATION	$ 12,966.33
DELAWARE & HUDSON	2 CERTIFICATIONS	$ 15,859.84
TOTAL REIMBURSEMENTS CLAIMED		$19,496,166.67
AMOUNT ALLOCABLE FOR TRANSFER TO RUI ACCOUNT		$ 1,239,757.89
TOTAL TITLE V OBLIGATION AS OF JANUARY 31, 1981		$20,735,924.56

OF THE TITLE V OBLIGATION, $17,949,519.64 IS FOR MONTHLY DISPLACEMENT ALLOWANCES.

[1/] Includes 3 certifications from Pennsylvania Truck Lines, Inc. for reimbursement of $1,165,732.60.

REIMBURSEMENT SUMMARY - CONSOLIDATED RAIL CORP. AND OTHER ROADS - 4/1/76 THROUGH 9/30/80

	TERMINATION ALLOWANCES	SEPARATION ALLOWANCES	MONTHLY DISPLACEMENT ALLOWANCES	RELOCATION ALLOWANCES	VACATION ALLOWANCES	MILITARY ALLOWANCES	LONG TERM SICKNESS ALLOWANCES	PASS RIDER PRIVILEGE ALLOWANCES	TOTALS
REIMBURSEMENT CLAIMED FOR PROTECTIVE PAYMENTS	$1,453,676.70	$58,684,739.10	153,341,243.55	$6,214,754.62	$2,039,243.95	$111,414.46	$-0-	$-0-	$221,845,072.38
REIMBURSEMENT CLAIMED FOR:									
RR TAXES	(INCLUDED WITH	$ 389,139.40	$ 9,847,796.26		$ 46,194.13	$ 11,827.08			$ 10,294,956.87
RUIA CONTRIBUTION	SEPARATION	$ 43,242.74	$ 737,031.52			$ 50.48			$ 780,324.74
FICA TAXES	ALLOWANCES)	$ 3,062.99	$ 657,428.43						$ 660,491.42
STATE UNEMPLOYMENT COMPENSATION TAXES			$ 301,830.47						$ 301,830.47
PENSION PREMIUM PAID			$ 1,033,929.37						$ 1,033,929.37
HEALTH/WELFARE PREMIUM PAID		$ 286.56	$ 2,770,033.95						$ 2,770,320.51
SUB-TOTAL	$1,453,676.70	$59,120,470.79	$168,689,293.55	$6,214,754.62	$2,085,438.08	$123,292.02	$-0-	$-0-	$237,686,925.76
RUIA BENEFITS REPORTED			$ 12,059,960.27						$ 12,059,960.27
TOTALS:	$1,453,676.70	$59,120,470.79	$180,749,253.82	$6,214,754.62	$2,085,438.08	$123,292.02	$-0-	$-0-	$249,746,886.03
							ADMINISTRATIVE EXPENSE		$ 253,113.97
									$250,000,000.00

REIMBURSEMENT SUMMARY - CONSOLIDATED RAIL CORPORATION AND OTHER ROADS - 10/1/80 THROUGH 1/31/81

	TERMINATION ALLOWANCES	SEPARATION ALLOWANCES	MONTHLY DISPLACEMENT ALLOWANCES	RELOCATION ALLOWANCES	VACATION ALLOWANCES	MILITARY ALLOWANCES	LONG TERM SICKNESS ALLOWANCES	PASS RIDER PRIVILEGE ALLOWANCES	TOTALS
REIMBURSEMENT CLAIMED FOR PROTECTIVE PAYMENTS	$-0-	$775,600.70	$51,946,646.88	$543,537.64	$865,034.03	$38,049.34	$10,191.36	$6,429,254.24	$60,608,314.19
REIMBURSEMENT CLAIMED FOR:									
RR TAXES	(INCLUDED WITH SEPARATION ALLOWANCES)	$ 9,958.04	$ 3,592,753.09		$ 47,918.91	$ 4,718.35			$ 3,655,348.39
RUIA CONTRIBUTION		$ 637.33	$ 146,325.31						$ 146,962.64
FICA TAXES			$ 238,881.62						$ 238,881.62
STATE UNEMPLOYMENT COMPENSATION TAXES			$ 87,327.88						$ 87,327.88
PENSION PREMIUM PAID			$ 382,960.47						$ 382,960.47
HEALTH/WELFARE PREMIUM PAID			$ 879,126.71						$ 879,126.71
SUB-TOTAL	$-0-	$786,196.07	$57,274,021.96	$543,537.64	$912,952.94	$42,767.69	$10,191.36	$6,429,254.24	$65,998,921.90
RUIA BENEFITS REPORTED			$ 3,101,078.10						$ 3,101,078.10
TOTALS:	$-0-	$786,196.07	$60,375,100.06	$543,537.64	$912,952.94	$42,767.69	$10,191.36	$6,429,254.24	$69,100,000.00

REIMBURSEMENT SUMMARY MONTHS FROM APRIL 1976

AMOUNT REIMBURSED TO CARRIERS

MONTH		CONRAIL	PENN TRUCK	AMTRAK	GRAND TRUNK WESTERN	DELAWARE & HUDSON	NORFOLK & WESTERN	DETROIT TOLEDO & IRONTON	TOLEDO PEORIA & WESTERN	MICHIGAN INTERSTATE (ANN ARBOR)	TOTAL AMOUNT REIMBURSED
April	1976	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
May	1976	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
June	1976	667,724.67	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	667,724.67
July	1976	1,562,095.68	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,562,095.68
August	1976	2,418,867.06	113,189.39	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,532,056.45
September	1976	3,845,148.98	134,690.39	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,979,839.37
October	1976	4,445,162.71	125,567.09	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,570,729.80
November	1976	4,302,869.17	64,094.66	-0-	894.99	-0-	-0-	-0-	-0-	-0-	4,367,858.82
December	1976	5,279,990.24	96,831.75	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,376,821.99
January	1977	3,547,077.65	109,724.63	-0-	5,052.31	-0-	-0-	-0-	-0-	-0-	3,661,854.59
February	1977	3,160,371.08	192,267.05	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,352,638.13
March	1977	4,601,691.43	177,866.63	-0-	7,962.05	-0-	-0-	-0-	-0-	-0-	4,787,520.11
April	1977	3,949,285.03	133,557.81	-0-	-0	32,637.35	-0-	-0-	-0-	-0-	4,115,480.19
May	1977	4,566,911.92	247,106.86	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,814,018.78
June	1977	4,728,154.44	338,117.51	90,781.89	4,863.74	-0-	-0-	-0-	-0-	-0-	5,161,917.58
July	1977	4,565,682.23	230,769.63	-0-	8,598.74	-0-	-0-	-0-	-0-	-0-	4,805,050.60
August	1977	4,800,797.01	357,437.32	23,215.79	-0-	-0-	-0-	-0-	-0-	-0-	5,181,450.12
September	1977	4,687,359.89	252,088.16	173,560.23	-0-	-0-	-0-	-0-	-0-	-0-	5,113,008.28
October	1977	8,188,606.02	364,516.49	129,291.35	-0-	53,437.64	-0-	-0-	-0-	-0-	8,735,851.50
November	1977	7,056,424.78	233,305.98	258,031.36	-0-	21,280.61	-0-	-0-	-0-	-0-	7,569,042.73
December	1977	2,683,954.46	254,418.95	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,938,373.41
January	1978	7,458,293.30	294,433.12	223,364.57	-0-	14,032.96	-0-	-0-	-0-	-0-	7,990,123.95
February	1978	5,216,560.27	358,546.65	328,221.55	33,037.22	-0-	-0-	-0-	-0-	-0-	5,936,365.69
March	1978	8,158,141.06	422,496.03	266,796.98	-0-	23,341.65	-0-	167.91	-0-	-0-	8,870,943.63
April	1978	6,686,246.71	307,413.05	168,704.37	-0-	-0-	-0-	-0-	-0-	-0-	7,162,364.13
May	1978	2,262,803.33	369,699.95	259,972.74	-0-	-0-	3,681.93	-0-	-0-	-0-	2,896,157.95
June	1978	-0-	-0-	102,060.16	-0-	-0-	-0-	-0-	-0-	-0-	102,060.16
July	1978	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
August	1978	17,401,397.00	1,722,187.54	757,962.67	-0-	5,997.39	-0-	-0-	-0-	-0-	19,887,544.60
September	1978	3,673,227.06	300,806.29	274,527.87	-0-	-0-	-0-	-0-	-0-	-0-	4,248,561.22
October	1978	4,627,969.88	540,378.04	45,366.64	-0-	28,967.76	-0-	-0-	36,858.08	-0-	5,279,540.40
November	1978	3,594,092.27	287,252.65	455,425.70	63,607.84	16,148.22	-0-	-0-	-0-	-0-	4,416,606.68
December	1978	2,695,488.99	470,545.01	160,753.96	-0-	-0-	-0-	-0-	-0-	-0-	3,326,787.96

REIMBURSEMENT SUMMARY BY MTHS FROM APRIL 1976

AMOUNT REIMBURSED TO CARRIERS

MONTH		CONRAIL	PENN TRUCK	AMTRAK	GRAND TRUNK WESTERN	DELAWARE & HUDSON	NORFOLK & WESTERN	DETROIT TOLEDO & IRONTON	TOLEDO PEORIA & WESTERN	MICHIGAN INTERSTATE (ANN ARBOR)	TOTAL AMOUNT REIMBURSED
January	1979	$ 4,805,335.36	$ 643,894.38	$ 325,144.63	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 5,774,374.37
February	1979	20,905,200.67	520,115.00	299,769.61	-0-	22,949.69	-0-	-0-	-0-	-0-	21,748,034.97
March	1979	827,153.17	168,203.91	-0-	-0-	-0-	-0-	-0-	-0-	-0-	995,357.08
April	1979	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
May	1979	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
June	1979	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
July	1979	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
August	1979	21,545,911.20	2,546,780.53	1,881,009.64	-0-	56,268.68	-0-	-0-	-0-	-0-	-0-
September	1979	2,623,152.96	-0-	79,035.60	-0-	-0-	3,601.71	-0-	-0-	204,688.03	26,234,658.08
October	1979	2,848,611.65	557,903.64	-0-	-0-	3,657.04	-0-	-0-	-0-	23,043.46	2,728,833.73
November	1979	4,524,690.25	650,564.12	-0-	61,282.81	-0-	451.04	-0-	-0-	6,525.39	3,416,697.72
December	1979	3,933,699.25	553,810.99	298,687.16	-0-	7,306.74	-0-	-0-	-0-	24,150.94	5,261,139.16
										8,009.61	4,801,513.75
January	1980	10,184,574.01	207,176.32	310,627.34	-0-	2,999.99	2,627.57	459.10	-0-	-0-	10,708,464.33
February	1980	2,257,578.69	349,716.20	-0-	-0-	-0-	-0-	168.51	-0-	-0-	2,607,463.40
March	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
April	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
May	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
June	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
July	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
August	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
September	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
October	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
November	1980	50,326,256.00	4,973,480.20	3,518,361.58	-0-	40,952.97	29,903.32	1,129.10	6,462.43	64,529.90	58,961,075.50
December	1980	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
January	1981	6,441,914.95	20,000.00	467,801.96	86,746.20	21,383.29	-0-	-0-	-0-	-0-	7,037,846.40
T O T A L S		$272,056,472.48	$19,690,953.92	$10,898,475.35	$272,125.90	$351,361.98	$40,265.57	$1,924.62	$43,320.51	$330,947.33	$303,685,847.66

Prepared in Bureau of Unemployment and Sickness Insurance
February 3, 1981

APPENDIX C

January 29, 1981

Mr. L. Stanley Crane, Chairman
Consolidated Rail Corporation
Six Penn Center Plaza
Philadelphia, Pa. 19104

Dear Chairman Crane:

We were heartened by your recent remarks that Con Rail was at a "point of turning around and being very, very marginally profitable."

Therefore, we are distressed at your further urging that the carrier get out of passenger service and drop some 560 segments of freight lines.

Instead of these meat axe cuts, we urge that you and Con Rail supervision work to make the carrier efficient so that it can return to viability and profitability.

Over the past several years we have addressed a number of recommendations to President Stuart Reed which we believe would go a long way to turning the railroad around. He has implemented severalof them with most favorable results.

However, there are still a large number of areas in which improvement can be made.

One, we believe that the maintenance force should be allowed to do the job they're paid for -- and do it properly. Supervisors should not be allowed to remove shop tags and order short cuts which only result in more and heavier repairs in the future.

The money Con Rail has spent and is still spending on CRIPP is a total waste. Railroad repairs and shortcuts they advocate can only lead to more serious conditions.

Contracting-out work is another serious waste. Con Rail's own employees can do almost any car building and repair job the railroad can require. We have revealed in the past serious questions involving management personnel and the contractors to whom the work goes. We still believe this bears serious investigation.

Along these lines we also raise the question of the unevenness of discipline. Supervisors found guilty of serious violations are usually punished with a "slap on the wrists." Hourly-rated employees found guilty of minor infractions, are given heavy penalties. This does serious damage to employee morale.

We have also raised the question of insufficient staffing of various locations which results in either the work not getting done or men worked to exhaustion on overtime to get it done.

Now, you must know that since Con Rail took over there has been both a sizeable slash in the carrier's route miles and a painful cut in the number of the hourly-rated employees who do the work that keeps Con Rail rolling. Yet, at the same time, the number of management personnel has increased measurably. This just doesn't make sense: More bosses to supervise fewer men?

And we believe shifts of work that are being proposed are not going to help the railroad but will only assist those whose selfish goal is to carve-up Con Rail and dish it out to various alleged profit-making companies -- without regard for either the railroad's customers in the hard-pressed Northeast Region or to the loyal, dedicated employees of the railroad.

We, in the Transport Workers Union and the Brotherhood of Railway Carmen are dedicated to building a strong, efficient and profitable system.

Many of the railroad's present problems are directly related to the present economic conditions and will turn around with an upturn.

Railroads are the most energy-efficient means of transporting the masses of passengers and freight that have to be moved if we are to have an improved economy.

Any action that weakens that option is bad for the Northeastern Region and the nation as a whole.

If you feel a meeting is necessary to hear our suggestions and to work-out a joint program of action that will make Con Rail the effective transportation alternative that our nation needs now -- and would especially need in a period of emergency.

We will hold ourselves in readiness at your convenience for such a meeting to take place.

Thanking you in advance.

Very truly yours,

Albert A. Terriego
Director-Railroad Division
International Vice President

APPENDIX D

February 2, 1981

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, DC 20503

Dear Mr. Stockman:

I appreciated your taking time to meet with me on January 28 and was reassured by your understanding of the serious rail transportation problems in the Northeast and the importance to the nation of an orderly solution to these problems.

Particularly encouraging was your recognition that the funds included in the Supplemental FY 1981 budget for Conrail operation and for employee protection are essential to protecting the government's interest and to avoiding a rail transportation crisis in the Northeast.

This letter responds to your request for a description of the relationship between employee protection payments and Conrail's effort to become self sufficient, and for a description of changes in the program that would reduce costs if the government should assume total responsibility for employee protection.

Items covered include:

- An explanation of why the social costs resulting from employee dislocation must be borne by the government if any solution to Conrail's unprofitability is to be found.
- A review of other employee protection programs.
- A summary of specific changes to the present Title V program which might lessen the cost to the government.

- o An attachment (A) which describes the original Title V approach to employee protection and explains the changes made by the Staggers Rail Act of 1980.
- o An attachment (B) which contains draft legislation to lift the burden of employee protection from Conrail.
- o An attachment (C) which explains several specific changes to the Title V program that would reduce costs.

Why the Government Must Fund Conrail Employee Protection

When Congress established Conrail, it determined that the railroad employees should be protected against the financial impact of restructuring the rail system taken over by Conrail. The federal treasury was committed to provide funding for this. Conrail has not yet been able to reduce its expenses enough to become self sufficient and further restructuring is needed. Again the federal treasury will need to fund whatever employee costs Congress chooses to impose, because Conrail cannot bear this burden.

Unfortunately, the present statute leaves Conrail liable for employee protection after the federal funding presently authorized is exhausted. In addition, the Interstate Commerce Commission will impose on Conrail additional employee protection liability whenever Conrail abandons or otherwise significantly restructures its physical plant.

The irony is that Conrail's efforts to improve productivity are counterproductive insofar as its Title V liability is concerned. The more efficient Conrail becomes, the more branch lines are abandoned or an effort made to rationalize the Conrail system, the more employees are furloughed and the more employee protection liability is increased: Conrail cannot bear these additional costs and become self sufficient.

Conrail needs to reduce its employment by more than 10,000 people to become as efficient as the average railroad. The resulting Title V liability could exceed $1 billion. If many of Conrail's major markets were transferred to other railroads under a controlled transfer alternative, the resulting Title V liability would be significantly higher because transferee railroads probably would refuse to assume the employee protection responsibility. There is no conceivable way for Conrail to generate such funds so that the government must assume total responsibilty for Conrail employee protection payments. The problem cannot be solved by simply repealing Title V of the Regional Rail Reorganization Act. Conrail must be expressly spared present or future obligations, imposed by Title V, by the Interstate Commerce Commission or through collective bargaining, to pay labor protection. Attachment B provides statutory language that would relieve Conrail of these obligations. Attachment B would not alter the level of employee protection under Title V or section 11347 of the Interstate Commerce Act; it only lifts the burden from Conrail.

Other Labor Protection Programs

Title V is by far the most generous employee protection program ever established by the federal government. On January 28, you also asked for suggestions as to how a program of employee protection funded entirely by the government could be structured so that the cost would be less than if the government merely took over the present Title V program. Recent measures taken by the government and by private companies in other industries possess certain common features that may form a conceptual basis for restructuring Title V:

- Generally, benefit levels have been less than 100% of base period earnings. The 1962 Trade Adjustment Assistance Program paid 65%, the 1979 Airline Deregulation Act pays 70%, the 1979 Milwaukee Railroad Restructuring Act program paid 80%, and steel and auto supplemental unemployment benefit ("SUB") plans pay about 95%.
- The duration of benefit payments is limited, ranging from 52 weeks (Trade Adjustment Assistance; steel, auto SUB) to 72 months (Airline Deregulation Act).
- The government has administered its programs usually through the Department of Labor (Trade Adjustment Assistance, Airline Deregulation).
- Programs established by the government have included retraining and relocation components to enhance the prospect of a beneficiary returning to productive employment as soon as possible (Trade Adjustment Assistance, Airline Deregulation).

Title V Program Changes to Produce Savings to the Government

If the federal government assumes responsibility for providing protection to Conrail employees, Conrail no longer has a direct interest in the nature of the protection. However, you asked for Conrail to identify specific changes that would reduce liability for the Title V program. If the government chooses to modify the Title V program along these lines, it also may wish similarly to modify employee protection that can be imposed by the ICC. Otherwise, Conrail employees not now protected ultimately might receive more than employees who now have full Title V protection.

The three restrictions on Title V payments contained in the Carter Administration budget supplemental appropriation proposal represent a significant step toward reducing benefit payout:

- Imposing a ceiling of $25,000 annually and $100,000 cumulatively on benefit payments to any individual.
- Reducing guarantees to 80% of their Staggers Act levels.
- Eliminating the right to receive benefits upon proffer of a lump sum severance of $25 thousand.

The latter provision is especially significant as mandatory separation of unneeded employees at $25,000 per capita would probably reduce federal financial exposure by more than 75%.

The basic approach contained in the Budget could be expanded and made harmonious with other government-mandated employee protection programs by the following:

1. Removing statutory restrictions on Conrail's right to manage its labor force, above and beyond restrictions contained in collective bargaining agreements.

2. Eliminating employee protection payments for persons actively employed by Conrail.

3. Eliminating the present provision for paying monthly allowances to furloughed employees.

4. Permitting persons furloughed by Conrail to elect to retain their seniority with Conrail, or to apply to the Secretary of Labor for a $25,000 separation benefit, to which they would be entitled upon presenting proof of relinquishing their employment connection with Conrail. Alternatively, the Conrail employment relationship could be relinquished in exchange for a stream of benefits for a limited period, like the airline industry, Milwaukee, or trade adjustment assistance models, referred to previously.

5. Affording furloughed persons not electing separation benefits preference in hiring in their own craft at any Conrail location.

6. Providing furloughed employees who accept transfers to other geographic locations on Conrail, or to other railroads, with federally-funded relocation assistance, upon application to the Secretary of Labor.

7. Permitting persons electing federal benefits to participate in federally funded retraining programs, on the Trade Adjustment Assistance model.

Alternatively, if it proves impracticable to effect such a fundamental reform of the Title V employee protection program, a number of other changes could be undertaken, which can be grouped into the following conceptual categories:

- Direct changes, which would reduce the duration of benefits, reduce the level of benefits, replace the current program with modifications of Railroad Unemployment Insurance, substitute a lump sum for the stream-of-benefits approach, or a combination thereof.
- Indirect changes, which would reduce Title V liability by altering the operation of the seniority system.

Such changes are explained more fully in Attachment "C".

Title V is complex legislation which was made even more complex by the Staggers Rail Act amendments. This letter does not propose the explicit statutory language which would be required to effect the proposals presented above. However, if you desire additional information, please contact William Newman, our Vice President-Government Affairs at (202) 789-5854. He will be glad to arrange for appropriate Conrail personnel to meet with members of your staff to pursue this subject in depth. We must reemphasize, however, that if Conrail is ever to become self-sustaining, it must be relieved of the costs associated with the employee protection programs presently mandated in the 3R Act, the Staggers Act, and the Interstate Commerce Act.

Sincerely,

L. Stanley Crane

ATTACHMENT "A"

SUMMARY OF TITLE V AND 1980 CHANGES

This attachment summarizes the major provisions of Title V of the Regional Rail Reorganization Act and describes the changes in the monthly displacement allowance made in Title V by the Staggers Rail Act of 1980.

A. History

Title V of the Regional Rail Reorganization Act of 1973 imposed upon Conrail statutory labor protection provisions modelled closely on the protective conditions negotiated as a part of the Penn Central merger. The Penn Central conditions provided a somewhat less generous guarantee formula for non-operating crafts, permitted more flexibility to transfer protected employees than Title V, and also permitted furlough of personnel without protective payments under some circumstances, such as a severe downturn in general business activity. The Penn Central conditions were negotiated in the context of 35 years of increasing employee protection requirements imposed by the ICC.

B. Basic Philosophy

Under the original Title V, Conrail was required to:

- Offer employment to employees of the railroads in reorganization.
- Assume the provisions of collective bargaining agreements then in force on the railroads in reorganization, (except those relating to employment protection which, were superseded by express statutory provisions) pending negotiation of a single agreement for each craft.
- Provide lifetime labor protection as defined in detail below.
- Make lump sum separation payments of up to $20,000 to employees who voluntarily accept offers to resign, or who elect separation in lieu of transfer.
- Continue, without contracting out, work performed by practice or agreement on the predecessor rail properties.

Conrail was entitled to:

- Reassign work to any location on its system within crafts or classes. Conrail has taken the position that it also is entitled to transfer work across craft lines but has lost one arbitration case on the point.
- Transfer protected employees in inverse seniority order, if relocation expenses and losses on real estate are paid.
- Be reimbursed for labor protective payments authorized by the statute, up to a current authorization of $485 million, of which $319 million has been appropriated and expended.
- Be relieved of the obligation to make labor protective payments to a protected employee who is transferred as the result of the designation of a "replacement operator" or in connection with a

supplemental transaction. In such case, the "replacement operator" or the "acquiring railroad" becomes responsible for payment of the protective benefits and is entitled to reimbursement by the federal government. In contrast, if Conrail voluntarily transfers rail properties, Conrail retains the statutory obligation to make employee protection payments to affected employees. Such employees cannot be compelled to accept employment with the transferee.

C. Monthly Displacement Allowance Formula

1. Original Formula

- The original Title V provided a lifetime monthly displacement allowance based on a protected employee's compensation for the full twelve calendar months immediately preceding January 1, 1975. This guarantee is increased by subsequent general wage increases.

- In computing the amount of the guarantee to be paid an employee each month, the employee was charged with --
  - Conrail compensation earned or which he could have earned with his seniority
  - unemployment compensation
  - one-half of outside earnings

2. New Formula

- The Staggers Act changed the computation of guarantees --
  - For train and engine service employees, it established a base limit of the average earnings of his classification for 1977; no protected train and engine service employee is entitled to a base guarantee higher than this, no matter what his 1974 earnings were.
  - For non-operating personnel, the straight time wage rate of September 1, 1979, increased by promotions, now is the protected wage base.
  - For maintenance of way employees, the 1974 base period is retained, but the formula for payment of the guarantees is changed to avoid windfall benefits resulting from large amounts of overtime during 1974.

- The new guarantees are still to be increased by subsequent general wage increases.

- Guarantees of non-agreement personnel and personnel transferred to positions requiring a change of residence before September 1, 1979 were unchanged.

- The Staggers Act also amended Title V to provide for a 100% offset for outside earnings, to place a time limit of three months on the filing of claims for protective payments, and to permit the transfer of trucking and marine employees across craft boundaries into railroad occupations.

ATTACHMENT "B"

EMPLOYEE PROTECTION

Section 1. (a) FINDINGS.

The Congress finds and declares that --

(1) The reorganization of the railroads in the Northeast and Midwest under the Regional Rail Reorganization Act established a need to provide for those persons whose employment would be adversely affected by the reorganization.

(2) Providing for these needs in the form of employee protective provisions is a social cost which ultimately must be borne by the society as a whole.

(3) Enactment of the Regional Rail Reorganization Act was necessary to maintain and improve essential rail service and permit the rehabilitation of rail properties in the Northeast and Midwest which otherwise could not be accomplished without substantial action by the Federal Government.

(4) Employee protective payments funded by the Federal Government under the Regional Rail Reorganization Act should not be substantially greater than benefits provided to employees in other industries.

(5) Administration of employee protective payments funded by the Federal Government should be the responsibility of and under the control of the Federal Government.

(b) PURPOSES.

It is therefore declared to be the purpose of the Congress in this Amendment to provide for --

(1) Placement of the responsibility of administering employee protective payments under the Regional Rail Reorganization Act in the hands of the Federal Government.

(2) A prohibition on any provisions relating to job stabilization and employee protection in any existing or future collective bargaining agreements between Consolidated Rail Corporation and the several rail unions until such time

as Consolidated Rail Corporation attains self-sufficiency. However, productivity bargaining should be permitted.

(3) A prohibition on the imposition by the Interstate Commerce Commission on Consolidated Rail Corporation of any job stabilization or employee protective conditions and rendering null and void any such conditions until such time as Consolidated Rail Corporation attains self-sufficiency.

Section 2. ACCORDINGLY, (a) Section 509 of the Regional Rail Reorganization Act, as amended, is further amended to read:

> The Secretary of Labor shall be responsible for the payment of all allowances, expenses, and costs required to be provided to protected employees pursuant to the provisions of this title or 49 USCA §11347. There is authorized to be appropriated such sums as may be required to meet the obligations payable under this title.

(b) Section 504 of the Regional Rail Reorganization Act, as amended, is further amended to add a new section 504(h) as follows:

> Employee Protection.
>
> Collective bargaining agreements negotiated by the Corporation pursuant to section 504(d) and the Railway Labor Act shall not include any provisions for job stabilization or employee protection; nor shall any such provisions heretofore agreed upon have any further force or effect. Provided however, that productivity bargaining shall not be prohibited by this subsection.
>
> The prohibition in this section against negotiation, imposition, or maintenance of job stabilization or employee protective provisions shall cease to be effective at such time as the Corporation has satisfied the Finance Committee that it has attained self-sufficiency.

(c) Title 49 U.S.C. 11347 is amended to:

(1) Add the following sentence at the end of the existing section and to number the entire section "(a)":

> Notwithstanding any other provision of the Act or of any other law, the Interstate Commerce Commission shall not have authority to require any job stabilization or employee protective arrangement in any transaction to which the Consolidated Rail Corporation is a party; and any such arrangement heretofore required shall have no further force or effect. [However, the Secretary of Labor shall determine employee protective benefits in accordance with the standards of this section to

be paid by the government in connection with transactions subject to this section.]

(2) add a new paragraph (b) as follows:

The prohibition in paragraph (a) against negotiation, imposition, or maintenance of job stabilization or employee protective provisions shall cease to be effective at such time as the Consolidated Rail Corporation has satisfied the Finance Committee of the United States Railway Association that it has attained self-sufficiency.

ATTACHMENT "C"

CHANGES TO CONRAIL EMPLOYEE PROTECTION WHICH WOULD REDUCE PROGRAM COSTS

1. Direct Changes

(a) Reduce the duration of benefits. Employees protected pursuant to Title V have already been the beneficiaries of more than $319 million in federal funds, representing nearly five years of protection. Had Conrail been the product of a merger subject to protective conditions normally imposed by the ICC, the entitlement of employees affected by the conveyance of rail properties to Conrail would have expired no later than April 1, 1982.

(b) Reduce the level of benefits. This could be accomplished in various ways. Employees' current guarantees could be reduced by some fixed percentage, and/or the obligation to periodically increase the guarantees by applying all subsequent general wage increases could be repealed.

(c) Repeal the entire existing guarantee formula. An alternative approach which would result in an even more substantial reduction in liability, involves repealing the existing guarantee formula. Currently, employees' guarantees are based upon earnings in a test period, or upon the rate of a position occupied on a given date. As a result, the guarantees of some employees are much greater than those of others. A simplified system, modelled on unemployment compensation, could be substituted. For example, you may wish to consider funding an extension of the number of weeks for which an employee is eligible to receive railroad unemployment insurance benefits.

(d) Establish a lump-sum entitlement in lieu of salary continuation. Protected employees would be eligible to elect such a lump-sum allowance upon their becoming surplus. If the allowance were accepted, the employee would forfeit entitlement to any additional protection, as well as his or her seniority and employment relationship. If the employee elected to waive the allowance, he or she would continue to accumulate seniority, but without entitlement to protection, and would be entitled eventually to return to service in the event Conrail had a bona fide need for the employee's services.

2. Indirect Changes

The liability associated with surplus employees could be reduced via an indirect approach in lieu of or in addition to the direct approaches discussed above. Some of these indirect approaches would reduce significantly Title V liability, by altering the operation of seniority systems. For example, the transfer provisions of Title V could be amended as follows:

(a) Redefine the phrase "bona fide vacancy." Currently, employees may be transferred to a vacancy only if no employees are eligible to be recalled on the seniority district. The program could be amended to permit the transfer of a surplus protected employee to a position occupied by an unprotected employee.

(b) Limit the number of employees eligible [illegible] be transferred. The Act could be amended to relieve Conrail of any responsibility to transfer employees who have no entitlement to monthly displacement allowances.

(c) Substitute simultaneous transfer offers for the serial offers currently required. Pursuant to the Act's current transfer procedures, a vacancy must be offered to a single surplus employee, who is afforded 30 days to accept or reject it. If the employee rejects the position (which is quite often the case), the process is repeated. The program could be amended to permit the offering of a vacancy to a number of employees simultaneously. The employee's response period also could be reduced, e.g. to 10 days.

APPENDIX E

AMENDMENT TO P. L. 96-448

Section 503(a) [94 Stat. 1953] is amended by striking therefrom subsection (1), (2), and (3) and inserting in lieu thereof the following:

"Section 505(d) is amended by adding at the end thereof a new paragraph (5) as follows: 'The provisions of this subsection (d) shall be applicable to the National Railroad Passenger Corporation and its protected employees except that no protected employee of the National Railroad Passenger Corporation shall be required to transfer to a location outside the seniority district of such protected employee.'"

APPENDIX F

AMENDMENT TO P. L. 96-448

Section 501 is amended by adding at the end of Section 505(b)(11)(A) [94 Stat. 1952] of the Regional Rail Reorganization Act therein amended, the following:

> "and, if such employee subsequently becomes the permanent incumbent of a higher rated position and is not disqualified therefrom, the higher rate shall become such employee's protected rate."

On behalf of the Railway Labor Executives' Association, its members and the employees of the railroads of this nation whom they represent, I wish to express our appreciation for this opportunity to present to you their views on a subject we are convinced is vital to this nation's future welfare, not only in terms of its future transportation needs but also in terms of energy conservation.

My name is Fred J. Kroll. I am Chairman of the Railway Labor Executives' Association and International President of the Brotherhood of Railway and Airline Clerks. My Washington office is located in the AFL-CIO Building at 815 Sixteenth Street, N.W., Washington, D.C. Accompanying me is Mr. William G. Mahoney, counsel to the Railway Labor Executives' Association.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

American Railway & Airway Supervisors Association, Division of BRAC
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada

Brotherhood of Railway, Airline & Steamship Clerks
Hotel & Restaurant Employees and Bartenders International Union
International Association of Machinists & Aerospace Workers
International Brotherhood of Boilermakers & Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

Amtrak was created as the direct result of Congress' first venture into deregulation in 1958. The railroads had complained to Congress that they were thwarted in their efforts to discontinue some 15% of the uneconomic and unneeded passenger service they had sought to discontinue by cumbersome state regulations and intransigent, politically oriented state agencies. Congress relieved the railroads of state law by placing the jurisdiction of interstate trains in the Interstate Commerce Commission and authorizing the railroads to discontinue any such trains on notice unless the Commission vetoed the discontinuance. Such veto was not to be exercised unless the public, bearing the burden of proof, demonstrated that the public convenience and necessity required the continued operation of the train involved. That burden could seldom be carried and when it was the railroad could return the following year and try again with the same train which by then would hardly be worthy of the name. Hundreds upon hundreds of trains were permitted to deteriorate and then were discontinued. The Interstate Commerce Commission even found that the quality of some trains to which passengers stubbornly remained faithful had been deliberately downgraded and passengers driven away. Upon the inauguration of Amtrak, hundreds more trains were discontinued. Those that remained presented a sorry sight in terms of equipment, roadbed and scheduling.

In the twelve short years between the passage of the Transportation Act of 1958 and the Rail Passenger Service Act of

1970, the passenger service rail network of this country had been virtually destroyed.

In 1970, Congress determined that this nation should not be bereft of rail passenger service and so, in 1971, created Amtrak. While the creation of Amtrak was being considered, the Congress was fully aware that a massive Federal financial effort would have to be undertaken to preserve rail passenger transportation in this country. This new creature of the Congress literally would have to be resurrected from the corpse of rail passenger service. Everyone concerned with the enactment of the Rail Passenger Service Act of 1970 knew that resurrection could not be accomplished cheaply, easily, or quickly. Amtrak had to take over equipment that was virtually worthless; have it maintained by railroads that did not want passenger service; and, have it operated over rights-of-way which, for the most part, were completely inadequate and by railroads that had succeeded in ridding themselves of their own passenger service.

In order properly to evaluate Amtrak as a national intercity rail passenger carrier, we must know what Congress originally intended Amtrak to be; how Congress changed its views and the requirements it placed upon Amtrak; how Amtrak has met those requirements; how the public has responded to Amtrak; what the cost of the destruction of Amtrak as an intercity carrier would mean in terms of transportation service, safety, environment, ultimate public cost, employment, market effects, and most important of all, the transportation needs of this country in twenty-five or thirty years.

By the time Amtrak began operation, the traveling public for over 13 years had been urged in every possible way to use other forms of transportation. That education was effective. It will remain effective until rail passenger operations in terms of quality and, to a great extent, quantity, are re-established in this country or until the public simply is forced back to the rails as it was in 1973 by the scarcity and cost of gasoline

Amtrak and the Congress

Amtrak has been the subject of some ten separate statutes in its ten years of life. Significantly, the Congress has continued to clarify and refine its concept of the role of Amtrak in our transportation network.

The Rail Passenger Service Act of 1970 embodied vague objectives which conflicted with its operative provisions. Specific priorities were not spelled out; goals were given only in general terms; funding was too low given the requirements demanded of Amtrak; the former passenger carrying railroads, no friends to rail passenger service, virtually controlled Amtrak's operations and maintenance; Amtrak was to be a "for profit" corporation; and, it was to be monitored by too many agencies: the Secretary of Transportation, the General Accounting Office and the legislative and executive branches generally.

The legislation of 1972 gave Amtrak more control over its train operations and the Secretary of Transportation was removed as the final authority over route expansion.

The 1973 Act demonstrated Congress' intention to make Amtrak a permanent part of our transportation system by requiring establishment of one experimental route each year; providing more funding (grants to $334 million, loans to $500 million); reasserting the right of eminent domain; rescinding Amtrak's dependance on the railroads for its employees; and, requiring access for the elderly and handicapped.

The 1974 and 1975 Acts increased Amtrak's operating grants by $200 million in 1974 to $597.3 million in 1975. The 1974 Act recognized Amtrak's potential as an aid in solving our energy and environmental problems. Further expansion of the system was required, ultimately to extend to the major population centers of the 48 contiguous states. The 1975 Act charged Amtrak with establishing criteria for evaluating its route network. Upon approval of the criteria by Congress, Amtrak was to be allowed to add and delete trains on its own initiative.

With the enactment of the 4R Act in 1976, Amtrak, for the first time, became a railroad. It acquired trackage and properties in the Northeast Corridor. For the first time, it had control over part of its route system. Congress provided funds for the rehabilitation and upgrading of the Northeast Corridor services and assigned specific travel time goals between cities along the corridor.

By 1978 Congress recognized that Amtrak, as a passenger carrying railroad, could not be expected to return a profit and so changed its "for profit" designation to "operated and managed as a for-profit corporation".

In 1979 a 13% route reduction took place and the Amtrak Reorganization Act of 1979 was enacted. This legislation recognized the inadequacies in earlier laws affecting Amtrak and their adverse effects upon management practices and employee morale. It provided financial and ridership guidelines for specific routes; operating expenses were allocated for two years and capital expenditures to three, finally providing Amtrak management the chance to undertake some long-range planning.

The 1980 Act restricted itself to the development of the Northeast Corridor.

Clearly, over the past decade we have progressed from a tentative, experimental and uncertain beginning to a clear position of establishment and maintenance of a nationwide rail passenger service. That process suddenly is threatened with reversal and the service with extinction.

Amtrak's Performance and The Public's Response

Amtrak has improved its equipment, its maintenance capabilities and its performance markedly over the past ten years.

Today Amtrak employs some 20,000 persons, has a national route system of some 27,000 miles serving 571 stations, and maintains a fleet of over 1,600 cars.

In 1980, short-haul and long-haul ridership increased with long-haul passenger accounting for 52% of Amtrak's revenues.

Indeed, only continued passenger disaffection with the poor on-time performance in the Northeast Corridor due to the rehabilitation of that line, prevented Amtrak from attaining a marked overall increase in ridership. However, even with the monthly drops of up to 10% in the Northeast Corridor in 1979, Amtrak carried virtually the same number of passengers in 1980 as it did in 1979. In fact, in August, 1980, Amtrak carried 2,182,242 passengers, the highest monthly total of passengers carried since its inception. (See Appendix A attached hereto.) Significantly, in those markets which it serves Amtrak has increased its market share to 18%.

A primary reason for the public's growing use of Amtrak is its improved equipment situation. The experience of Amtrak's Empire Builder is typical: ridership on that train was up 27% in the first 10 months of fiscal 1980 following the introduction of the new "Superliner" equipment - equipment which probably would be scrapped if the Administration's budget cuts were carried out. Just a year ago that train carried 140 passengers per train mile, but it now averages 212. It has improved its financial picture from a loss of 10 cents per train mile to one of 4 cents per train mile.

Amtrak's performance could be bettered appreciably with a sufficient amount of equipment as its continued improving equipment picture has demonstrated. Lack of such equipment would be the major problem facing it in the 1980's even if the proposed devastating budget cuts were not effected. Compared to the 2,500 cars Amtrak should be operating by 1985, British Rail today has a fleet of some 17,500 cars, France about 15,000 cars, West Germany almost 18,000, and Japan over 26,000.

The increasing use of Amtrak by the public is also a favorable response by the public to Amtrak's on-time performance which rose from 60.6% in Fiscal 1979 to 70.3% in Fiscal 1980. November, 1980's performance was a most respectable 78.8%. This on-time performance is most commendable if not astounding for a rail system that must operate for the most part over tracks it does not own which are used largely for heavy freight trains and are most often not in sufficiently good condition to allow for the high speeds of passenger trains.

America's Cost, With and Without Amtrak

What will it cost this country to keep Amtrak? And conversely, what will it cost us to destroy it?

Since 1971, Amtrak has received direct government aid of some $4.984 billion, including $900 million in loan authority. Between 1975 and 1979, Amtrak received grants of only $943 million (4% of the federal outlay for transportation) while West Germany was spending $4 billion and France $3 billion on their passenger railroads. In the past 17 years, the government of Japan has absorbed $30 billion for its passenger train service.

Amtrak has continually improved its revenue-to-operating cost ratio. Under present law Amtrak must improve its record to 44% by Fiscal 1982 and 50% by Fiscal 1985. A number of point-pairs on the Northeast Corridor reflecting frequent service and density of population average between 51% (New York-Washington) and 67% (Boston-Newport News). In the San Diego-Los Angeles corridor, the addition of 3 round trips in 1976 to an already existing 3 round trips, increased ridership and the revenue-cost ratio dramatically. By August, 1979, fares covered 82% of the costs on the additional trains and one was actually operating in the black.

The San Diego-Los Angeles experience suggests that low funding can be a self-fulfilling prophecy of doom while a high commitment to provide convenient and frequent service eventually more than pays for its increased cost.

On the basis of Amtrak's past record and its reasonable future expectations, it is reasonable to conclude that Amtrak will cost the United States less in constant dollars in the future than it has in the past and with a greater return both in the quality and quantity of service provided.

To remove financial aid from Amtrak in anything like the magnitude suggested by the Administration is to exterminate it as the National Railroad Passenger Corporation and reduce it to a Northeast Corridor Rail Corporation. That act will forever remove intercity rail passenger service from our transportation system. Does the proposed national budget reduction justify the destruction of intercity rail passenger service in this nation? If our national budget must be cut, must that cut deprive all future generations of Americans of the benefits of intercity rail passenger transportation? We cannot believe that to be true.

It seems to us at least that this country cannot afford to dismiss the existence of Amtrak simply because at the present time there is a pressing need to trim our nation's budget. The future of transportation in this country will be governed by the availability and the cost of fuel. Considerations which were appropriate measures of the need for rail passenger service in the past simply will not be appropriate in the future.

No one can deny that it would be in our national interest - indeed, every passing event in the Middle East and every action of the OPEC countries demonstrates it to be vital to our national interest - to have a nationwide rail passenger system that would be fully utilized by the traveling public. Nor can it be convincingly argued that such a system would not be fully patronized if it were made attractive to the public.

The day is fast approaching when gasoline will become so expensive and perhaps so scarce that intercity rail service, if it exists, will be preferred to travel by private automobile.

Billions of our tax dollars are being spent on mass transit. This money will never be recovered except in terms of the preservation of a quality of life which we believe to be necessary. Such expenditures will also be required for intercity rail passenger service and for the same reason.

We cannot afford to destroy our existing rail passenger lines simply because the service which we destroyed over a period of some 20 years has not been reestablished to our complete satisfaction.

We are convinced that the time is relatively near when citizens of this country will take the trains because the automobile will be too expensive or unavailable to them. The accuracy of this conclusion is confirmed by the events which occurred during the gasoline "shortages" of 1973 and 1979 and by analysis of the present intercity ridership of Amtrak - the young, the elderly and minorities, those who can least afford the soaring cost of gasoline and air fares.

This country should not be deprived of a valuable transportation resource which it can never recover in order to save 3/10 of 1% of our federal budget.

If Amtrak is destroyed, we will lose the most potentially energy efficient means of passenger transport available, depending upon the intensity of use - which will increase in direct proportion to the rise in quality and quantity of rail service and the increase in cost of gasoline and decline in its availability. We will also lose our safest and environmentally cleanest mode of travel.

If Amtrak budget cuts are essential, a very primary and very hard look should be taken at non-revenue items. Substantial cuts can be made in non-revenue items, with the headquarters offices as the prime candidate. The fat should be cut from Amtrak before the bones are removed.

In closing, I would again emphasize our conviction that Amtrak is needed to provide a vital future public service. This country cannot afford to destroy it and we cannot accept as either logical or rational in the face of an eventual fuel crunch that will not abate, an Administration proposal to destroy it.

I again express our appreciation for this opportunity to present our views on this most important subject.

Thank you.

STATEMENT OF JERRY E. FELDMAN, PRESIDENT, INTERNATIONAL TAXICAB ASSOCIATION

Mr. Chairman and Members of the Transportation Subcommittee, the International Taxicab Association (ITA) is a non-profit organization which serves as the sole national spokesman for the taxicab industry in the United States. There are approximately 5,000 taxicab companies in the United States which operate over 270,000 vehicles and utilize 634,000 workers. The taxicab industry transports nearly 3.4 billion passengers per year, which represents approximately 40 percent of all surface public passenger trips. In over 2,000 communities, or 68 percent of all communities having public passenger transportation, taxicabs are the sole source of public transit.

ITA supports the efforts of the Administration to reduce the Federal spending in fiscal year 1982 and beyond. Specifically, ITA agrees with the proposals of the Secretary of Transportation, Andrew L. Lewis, in the area of mass transit funding. Secretary Lewis has undertaken to redefine the federal government role in transportation matters and place greater reliance on the private sector to provide transit services. ITA believes that the private sector can provide better service at reduced public cost than the public and non-profit entities which have been created to meet special transportation needs.

In the past, the federal government has often ignored the existence of the private transportation network in its efforts to provide targeted groups or areas with subsidized service. This fact not only has weakened the private transit system, but has worked to the detriment of public transportation users and the taxpayers as a whole. Many existing DOT programs have barriers which preclude private companies from bidding on government contracts, even though these private companies could provide a higher level, and more efficient, service at a lower cost to the government.

An example of wasteful and inappropriate government spending for transportation services is the operation of the

Section 16(b)(2) program under the Urban Mass Transportation Act. Section 16(b)(2) provides grants to non-profit corporations and associations in order that they may offer special transportation services for elderly and handicapped persons who cannot use mass transportation facilities. These funds are used to purchase vans and other vehicles.

ITA supports the goal of Section 16(b)(2) programs, but asserts that the operation of the programs in many instances has been sadly inefficient and has failed to accomplish the desired purpose. Since private transportation companies are not permitted to bid on Section 16(b)(2) contracts, the funding goes to create a duplicate transit system which operates on a limited schedule throughout the week. The operating losses of these new systems generally are subsidized, which effectively destroys the incentive to operate efficiently.

This program and programs like it waste public taxes and fail to meet their social policy objectives. As Secretary Lewis has testified, the federal government must not intrude into areas in which the private sector should be responsible and in which it can do a better job. Private transportation companies, such as taxicabs, should be allowed to participate on an equal basis in any federal programs intended to assist the public. The benefits can be clearly seen by reference to the Section 16(b)(2) program. If existing private companies or individuals were permitted to bid on these contracts, there would be no need for the government to purchase vehicles and man them at the taxpayers' expense. Existing companies would already have the vehicles, the employees, and the management. By contracting with these groups, the government would be paying only for the service actually provided and not for an unnecessary and wasteful transportation network. The government would be subsidizing the user without subsidizing the provider as well.

In an effort to eliminate some of the barriers which prevent private enterprise from participating in the provision of federally-sponsored transportation services, officials at the Urban Mass Transportation Administration are developing a "Paratransit Policy Statement" and are drafting regulations under Sections 3(e) and 8(e) of the Urban Mass Transportation Act. It is expected that these long-awaited documents will conform with the policy of the new Administration, as announced by Secretary Lewis before this Subcommittee, that "we must come back...to the realization that the nation's transportation needs can be met in large part by the private sector."

The advantages of utilizing private industry are significant:

-- There is no need to create a new government-run transportation system

-- Private industry brings with it years of experience in transportation matters and a knowledge of the local area

-- Private industry can provide a higher quality service at a lower cost

-- Use of private companies prevents the weakening of the private transportation network, which in turn eliminates the need for further government involvement in transportation services

In summary, the International Taxicab Association supports the Administration's efforts to reduce the federal budget and to change the focus of its programs. Great economies will be realized by allowing the private sector to meet its responsibilities in the area of transportation, and to participate in transit programs, especially those programs intended to assist targeted groups. The taxicab industry has at all times been willing and able to meet its share of these responsibilities. It looks forward to participating even further.

Letter From Thomas W. Hanlon, Assistant General Manager, and Sharron Frank, Paratransit Director, Yellow Cab Cooperative Association

April 2, 1981

Senator Mark Andrews
Chairman, Senate Appropriation's
Subcommittee on Transportation
417 Russell
State Office Building
Washington, D.C. 20510

Dear Senator Andrews,

It is my understanding that as Chairman of the Senate's Appropriation's Subcommittee on Transportation, you are now receiving testimony concerning the government's fiscal considerations of public mass transit systems. To this end, the Denver Yellow Cab Cooperative Association would like to provide testimony. It is our consideration that the Administration could benefit financially and on an immediate basis were federal regulations and subsidies reduced in order to allow more than superficial participation by the private sector. It is our desire that the private sector become an active and integrated part of a comprehensive transportation system.

The Yellow Cab Cooperative Association is a worker-owned company organized in 1978. It owns Denver Yellow Cab (400 taxicabs), Boulder Yellow Cab (25 taxicabs) and Airport Limousine (25 limousines and vans). These corporations have been in the transportation business for varying periods of time from 20 to 45 years.

It is our feeling that the private transportation provider has suffered adverse impacts in many areas due to federal subsidization both of public transit operators and private nonprofit agencies. While the public provider has been designed to move masses of people, the private sector is tuned more toward specialized small group services. Rather than letting the market place seek its own level in a competitive fashion, subsidization has resulted in an artificial and, therefore, noncompetitive environment over which the public sector has control.

One of the major contributing factors to this situation has been the 13(c) labor protection clause of the Urban Mass Transportation Act of 1964, as amended. This clause has prevented the Denver Regional Transportation District from actively exploring the viability of the private sector in any kind of a mutual program agreement. This restriction by 13(c) not only concerns the utilization of federal monies but, apparently, encompasses local tax dollars and fare box revenues as well. This is indeed unfortunate as we estimate a per mile operating cost for specialized services at approximately $1.50 as compared to the transit operator's own figures of $4.92 per mile for specialized services. It is interesting to note that despite this, the RTD is legislatively seeking to amend its Colorado enabling legislation from providing only fixed-route service to allow for the provision of handicapped services on a demand/responsive basis. Precisely where does this leave the private sector?

Another problem area resides in the attempt to develop private sector commuter services, again, because of federal subsidization. The transit authority has and expects to continue purchasing vans to be leased to selected employers for their employees' use. The Colorado Department of Highways has and expects to continue to subsidize a third party nonprofit vanpool agency. The Denver Regional Council of Governments' rideshare program - both its computer matching capabilities and its rideshare marketing program - is directed toward every rideshare mode but that of the private sector. And, all of the above receive some type of federal subsidy as part of a fare structure, planning process, tax incentive or marketing program.

The last major problem area is the development of private nonprofit agencies as service providers due to federal aid. Traditionally, this has been in the direction of providing service to the elderly and handicapped, although the same pattern is emerging in the area of vanpooling. In relation to elderly and handicapped services, again a noncompetitive atmosphere has been developed through the granting of vehicles and radio equipment via UMTA's 16(b)(2) program and operating subsidies from Title III of the Older American's Act. This situation is compounded by the availability of free or low cost drivers via the Comprehensive Employment Training Act's program.

Denver Yellow Cab has begun to actively pursue participation in the planning process on as many levels as possible. We have approached the transit authority to try to develop an atmosphere in which creative programming can occur. Thus, the decisions you reach through this hearing process will have profound implications to our industry.

While some may feel that the public transit operator has been burdened unfairly by federal regulations, others would say that the subsidization they have received has allowed the building and maintenance of systems that survive in an artificially induced environment in an inefficient and uneconomical manner. For those public providers wishing a reduction in federal regulations and, thus, a more open door policy to compete with the private sector, let them give up all subsidies first. Perhaps the public provider would like to be a taxicab for a while and see what federal regulations are really like!

Yours truly,

Thomas W Hanlon

Thomas W. Hanlon
Assistant General Manager

Sharron Frank

Sharron Frank
Paratransit Director

STATEMENT OF GINI LAURIE, EDITOR, REHABILITATION GAZETTE, ST. LOUIS, MO.

As a volunteer with the disabled for more than 30 years and the editor of the Rehabilitation Gazette, an international journal for the disabled, I would like to corroborate the inestimable value of the U.S. Architectural and Transportation Barriers Compliance Board to the economy of the country and to the rights and dignity of its disabled and elderly citizens.

Specifically, I would like to emphasize its value as a mediating agency based on the following personal experience: In February 1978, articles in the St. Louis newspapers described the new skywalk from the convention center that ended in flight of stairs. Since there was no means of correcting this inaccessibility through local agencies, I filed a complaint with the U.S. Architectural and Transportation Barriers Compliance Board. After the facts were carefully checked, the U.S. Architectural and Transportation Barriers Compliance Board sent a lawyer and an architect to investigate solutions and negotiate with city officials. Although they might have had federal funds withheld until the city installed an elevator or an inordinately long ramp, they reached a mutually satisfying and inexpensive agreement with city officials which accomplished accessibility by means of a curb ramp, vehicle stop lines, crosswalk, and a traffic signal.

STATEMENT OF HENRY KANE, ATTORNEY AT LAW, BEAVERTON, OREG.

This Subcommittee should reject funding the Banfield "light rail" project as uneconomic and not cost-effective.

Whatever economic justification may have existed no longer exists.

Better and less costly transportation can be provided by existing and/or expanded bus service at less cost to the federal taxpayer and the taxpayers of the Metropolitan Service District.

The project already is estimated to cost substantially more than the earlier cost that was supposed to include the inflation factor during the life of the project.

Since the original but incomplete economic justification study, new factors have made the project less feasible.

The project runs through Portland east Multnomah county.

The 1980 census reflects that Portland has lost population since 1970, and the population of Multnomah county is static. Population and economic growth has been in the neighboring suburban counties of Clackamas and Washington. Portland no longer has any large tracts of land available for industrial development, hence industrial growth is in the counties not served by the project. And a recent newspaper report indicates the tri-county metropolitan area has lost 5,000 jobs during the past year.

Thus, the project would be built in an area of static to declining population and economic growth.

The project no longer has much of the justification that it would carry east Multnomah county shoppers to downtown Porrland to stop. Downtown Portland today has but a small fraction of tri-county retail trade because of the growth of regional shopping centers.

The Banfield study did not take into account the opening in 1981 of the Clackamas Town Center, a $125 million regional shopping center containing six major department stores and designed for 180 stores. It draws residents of east Multnomah county who otherwise might continue to shop in downtown Portland.

Then Tri-Met General Manager Peter Cass told the Washington County Public Affairs Forum that the true cost of the Banfield "light rail" project was $6 per passenger per trip. Because of inflation the true cost would be much higher than $6 per passenger per trip.

Another factor is that even the higher estimated cost is underestimated, hence the project will be an even heavier burden for the federal taxpayer.

And because of high roadbed maintenance costs there would be an unnecessarily heavy burden on the Tri-Met employers who pay payroll taxes to Tri-Met.

About 10,000 east Multnomah county residents signed and submitted petitions in opposition to the Banfield "light rail" project. Their opposition is justified and should be taken into account by this Subcommittee.

This Subcommittee should not appropriate funds on the theory that it was "promised" when the Mt. Hood Freeway was killed. No future Congress can be obligated by an earlier Congress.

I support proper mass transit, but the Banfield project is improper.

Oregon Journal, Wednesday, March 25, 1981 17

EXHIBIT A

Portland job gap widens in 1980

(Continued from page 17)

By CHARLES HUMBLE
Journal Business Editor

get cuts.

THE CITY OF Portland has no promotional budget, either. Port of Portland officials will spend about $40,000 in promotion this year to attract industry to the property it controls. A chamber of commerce official groused about the lack of funds for an aggressive recruitment program.

Meanwhile other states, like Colorado, New Mexico, West Virginia, Minnesota, North Carolina and Arizona, are not only spending more to recruit new industry, there incentive packages, including tax breaks, below-market land property zoned and state loans.

Oregon offers a revenue bond program, but it has a ceiling of $10 million and has recently come under considerable fire from the Legislature, which may eliminate it.

Last year, while the Portland metropolitan area had a 40,000 increase in population, the area suffered a net loss of 5,000 jobs.

Robert W. Draine, executive vice president of Coldwell Banker, a commercial real estate company based in Los Angeles, shocked a gathering of Portland's top business leaders when he talked about the jobs problem earlier this year.

"I SUGGEST TO you that you must study this rapid growth that you have experienced during the last five years and will continue to experience and get help to attract new jobs to the area, especially in the more highly technical industrial and service jobs since your employment growth rate has been dropping each year for the last three and last year, you actually lost jobs," Draine said.

Draine said in a follow-up interview that Portland's attractiveness has dropped appreciably in the last three years.

"Nothing has happened since 1978," he offered. "I've wondered why Portland has stopped being mentioned by companies with expansion plans. I have a hunch there may have been a slack off in industrial development funds."

Draine said there is still a feeling by industry that

office, which works with Silicon Valley firms, said it's not so much that companies ask not to be shown Oregon, as that they express a preference for somewhere else — Colorado, Atlanta, Oklahoma.

Reagan, a former resident of Springfield and graduate of the University of Oregon, senses "a very conservative outlook towards outsiders" in the state.

He said there is the feeling that "Oregon really doesn't want us (Californians or electronic companies) up there."

He said other areas have duplicated Oregon's qualities.

"UNTIL THE ICE is broken in Salem or some of the other outlying areas, I don't see any further major expansion into Oregon from firms based here," Regan said. "There are too many other states that are more receptive."

"My perception is that Oregon hasn't done the job in telling its story," he noted. "They may say they want new electronics firms, but do they mean it?"

Regan touched upon one of the problems which disturbs some Portland area business leaders. The Department of Economic Development was specifically charged by the Legislature with helping rural economies.

Some rural legislators were upset because they felt too much attention was being given to the metropolitan area.

The situation came to a head shortly after Jackson was elected to head the commission and the DED moved most of its offices from Portland to Salem.

A Hewlett-PHckard official noted the lingering problem of former Gov. Tom McCall's famous suggestion, "Come to Oregon but don't stay."

"The feeling that we are not welcome is hard to shake," he said.

SCANLAN OF Coldwell blamed the loss of momentum on a combination of factors — the cancelation of two major downtown Portland developments, the economy, and Mount St. Helens.

"Portland probably does have a helluva selling job to do," he said. "We don't have a less better product to offer than two years ago — we just need to sell it."

Steve Petersen, who heads the city's economic development function at the Portland Development Commission, said he is aware that a more cooperative effort is needed. He said steps are being taken now to accomplish that.

However, the city's interests are markedly different from others. Its emphasis will be on retaining companies now located in the city, helping them to grow without moving to the suburbs. Because the city has no large parcels of land available for industrial development it cannot go after a large single employer.

But Petersen admitted the city needs to fight a "we don't care if anybody comes" attitude. That wasn't always the case in the past.

STATEMENT OF ARTHUR B. POWERS, COMMISSIONER, CONNECTICUT DEPARTMENT OF TRANSPORTATION

I am pleased to appear before you today to testify on Federal-Aid Highway issues on behalf of the State of Connecticut. My testimony today concerns the future of the Interstate transfer program.

The Interstate transfer provisions have been in effect since passage of the 1973 Federal-Aid Highway Act. The program has been portrayed by the Federal Government as increasingly advantageous to States and local jurisdictions to use the transfer provisions to resolve controversial Interstate projects and accommodate revised plans for providing urban transportation. The States have been encouraged to request withdrawal of controversial or marginally beneficial sections of the Interstate System by being led to believe that dollars which would have been used to build the highways would instead be available for other substitute transit and highway projects to take up the slack of the lost Interstate highway. This is not what has happened.

To date, Connecticut has "traded in" three sections of Interstate highway in the Hartford area which, as of the end of 1980, had a value of over $560 million. This represents 7% of the nationwide total of $9 billion which has been traded in.

Based on the assumption that these funds would be forthcoming from Washington, the State and local governments have been preparing plans for substitute transportation projects. Many of the projects have the added potential of accommodating and encouraging private investment and development in the Hartford urbanized area. These are projects such as Union Station which combines private investment for stores, businesses, and residential units with public investment for rail and bus travellers; projects to improve both pedestrian and vehicular traffic flow in the downtown; projects connecting the downtown with nearby areas of commercial and industrial development; and projects to better enable those who do not want to go downtown to travel around the city.

The City of Hartford is undergoing a renaissance of growth which is highly unusual for the Northeast. A 24 story office building is nearing completion, a 36 story office building is under construction, and two more buildings in excess of 20 stories each will soon be under construction. Much of the success of the downtown area will depend upon the transportation improvements necessary to handle automobiles, transit, and pedestrians and to allow unnecessary traffic to bypass the downtown area. Interstate transfer funds are essential for these transportation improvements.

So far, although there is theoretically over $560 million available, the State has initiated 75 projects and has obligated only $37 million of Federal funds. It will cost an additional $171 million to complete those projects. Another 52 projects, worth $43 million are waiting in the wings to be initiated.

This year -- fiscal 81 -- Connecticut was apportioned only $9.3 million of the $800 million national total -- only a little more than 1% -- even though over $30 million worth of work was requested and ready for obligation. In fiscal 82, there will be over $40 million worth of projects ready to go. Yet, since there is no indication of how much money Connecticut will receive, it is increasingly difficult to plan transportation improvements to complement and enhance private development.

If the Committee wishes to limit expenditures for this program, it is only fair to the States that, in good faith, gave up parts of their Interstate System, to receive a proportional share of the Interstate transfer appropriation. Thus, if Connecticut has traded in 7% of the nationwide value of traded in Interstate segments, Connecticut should receive 7% of the annual apportionments for this program. Any unobligated funds under this proportionate program could be redistributed to areas which have fully obligated their apportionments.

I respectfully request that the Committee give serious consideration to this proposal as the most equitable way to administer the Interstate transfer program. I have attached back-up material which portrays Connecticut's Interstate trade-in program in greater detail.

Connecticut

SUMMARY - INTERSTATE TRADE-IN PROGRAM

I. Approved Interstate Trade-In Funding
Available for Obligations (September 30, 1980)

A. I-86 (I-91, Wethersfield, to I-84, Manchester) I-291 (I-84, Farmington, to I-91, Windsor)	$426,415,832
B. I-291 (I-84, Farmington, to I-91, Rocky Hill)	129,779,879
Total Federal Funds	$556,195,711

II. Governor Approved Project (76 Projects)

	Federal	State	Local	Total
A. Funding Committed	$ 36,606,100	$ 6,483,900	$2,376,900	$ 45,315,900
B. Additional Funding Required	171,099,000	26,968,000	3,250,800	201,466,800
C. Total Cost	$207,705,100	$33,451,900	$5,627,700	$246,784,700

III. Proposed Projects (52 Projects)

	Federal	State	Local	Total
Total Cost Estimate	$ 43,378,900	$ 5,084,200	$2,569,900	$ 51,031,000

IV. Federal Funding Available for Additional Projects

A. Total Federal Funds	$556,195,711
B. Governor Approved Project	$207,705,100
C. Proposed Projects	$ 43,378,900
D. Funding for Additional Projects	$305,111,711

V. Proposed FY 1981 Program (9.3 Million Federal Available)

	Number of Project	Federal	State	Local	Total
A. Approved by FHWA*	17	$ 6,893,700	$ 974,800	$ 301,700	$ 8,170,200
B. Proposed	19	2,478,000	107,000	356,000	2,941,300
		$ 9,372,000	$ 1,081,800	$ 657,700	$ 11.[illegible],500

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*These funds are included in II.-A.

INTERSTATE TRA PROGRAM
FUNDING REQU ENTS

Governor Approved Projects (76 Projects)

A cash flow projection of anticipated expenditures is as follows:

Year/ Source	Prior Commitment	Balance Of FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Federal	36,606,100	2,478,300	48,122,000	14,426,300	103,686,400	741,200	1,644,800
State	6,483,900	107,000	7,500,700	1,248,700	17,690,600	130,800	290,200
Local	2,376,900	356,000	991,300	1,296,600	606,900	0	0
Total	45,466,900	2,941,300	56,614,000	16,971,600	121,983,900	872,000	1,935,000

Total Cost of Approved Projects - $246,784,700

Proposed Projects (52 Projects)

A detailed cash flow projection of these projects was not attempted due to the uncertainties of when individual towns will request the Commissioner to undertake action implementing an improvement. An estimate would be that P.E. should be started on all of these improvements during FY 1982 and FY 1983 with the construction phase being split among the remaining three fiscal years.

Year/ Source	Prior Commitment	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Federal	0	0	1,671,700	1,671,700	13,345,567	13,345,567	13,345,566
State	0	0	141,250	141,250	[illegible]600,634	1,600,633	1,600,633
Local	0	0	153,050	153,050	754,134	754,133	754,133
Total	0	0	1,966,000	1,966,000	15,700,335	15,700,333	15,700,332

Total Cost of Proposed Projects - $51,033,000

March 19, 1981

INTERSTATE TRADE-IN PROGRAM
Projects That Could Be Advertised By September, 1981 If Additional Funds Were Allocated To Connecticut

Project No.	Town	Location	Total Cost	Federal Share
07-146	Berlin	New Interchange Ramps at Christion Lane	$ 1,333,800	$ 1,133,730
63-267	Hartford	Incinerator Road New Highway	5,360,000	4,556,000
63-325	Hartford	Weston Market St. Connector New Highway	7,378,000	6,271,300
63-357	Hartford	Resurfacing Various City Streets (West-Bourne Pkwy., Garden, Lewis, Sheldon Sts., Etc.)	1,297,000	1,102,450
88-96	New Britain	Include Rte. 9 Ramps at Rte. 72 & SR 506 Interchange	11,900,000	10,115,000
155-109	West Hartford	Reconstruct South St.	1,016,000	863,600
155-113	West Hartford	Traffic Signal Installations Various Locations	1,094,000	929,900
		TOTALS	$29,378,800	$24,971,980

Letter From Ron Stone, Executive Committeeman, National Boating Federation

April 6, 1981

Mr. Charles T. Hardin
Subcommittee on Transportation
and Related Agencies
Senate Appropriations Committee
1406 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. Hardin:

Unfortunately last Friday's Senate subcommittee hearing on appropriations from the Recreational Boating Safety and Facilities Improvement Fund under PL 96-451 conflicted with our organization's annual meeting, so we were unable to testify in favor as we would have liked.

We understand, however, that the hearing record is being held open until April 10, and in this regard we herewith submit a resolution adopted at our meeting dated April 4, 1981, which we respectfully request be incorporated into the hearing record.

The equity and necessity of appropriating boatmen's own tax money from the dedicated trust fund set up under PL 96-451 preoccupied our annual meeting. The sense of our discussion is contained in the enclosed resolution.

Thank you for your consideration.

Sincerely,

Ron Stone

Ron Stone
Executive Committeeman

SUPPORT FOR APPROPRIATIONS FOR PUBLIC LAW 96-451

WHEREAS, Public Law 96-451, cited as the Recreational Boating Safety and Facilities Improvement Act of 1980, authorizes the transfer from the Highway Trust Fund of $20 million per year in each of fiscal years 1981, 1982, and 1983 to a trust fund to be used by the U. S. Coast Guard in making 50/50 matching grants to the states for their boating safety and facilities improvement programs; and

WHEREAS, the money for this comes from part of the 4¢ per gallon Federal tax on fuel used in recreational watercraft; and

WHEREAS, this is precisely the type of program envisioned by the Reagan Administration's philosophy of user fees or letting the principal beneficiaries of government services pay for such services; and

WHEREAS, the nation's more than 60 million recreational boatmen are just as deserving of the use of their fuel tax money for waterways improvements as automobile operators who benefit from the use of their motor fuel taxes for highway improvements or small craft aviators who benefit from the use of their aviation fuel taxes for aircraft facilities improvements; and

WHEREAS, no new Federal spending program is involved in the use of the new marine fuel tax trust fund in that it is simply a reallocation of monies attributable to boating which used to go into Interior's Heritage Conservation and Recreation Service Fund for general outdoor recreation resources development but are now exclusively dedicated to recreational boating projects; and

WHEREAS, the marine fuel tax money does not originate in general revenues and would not revert to general revenues even if it were not appropriated, and thus makes no demands on the general taxpayer; and

WHEREAS, there is an urgent need to have Congress appropriate the maximum authorized level of funding so that the states can be assisted in their life saving boating safety programs and the construction of boating facilities to relieve hazardous congestion on the nation's waterways;

NOW, THEREFORE, BE IT RESOLVED, that the National Boating Federation at its annual meeting in Portland, Oregon, this 4th day of April, 1981, does hereby strongly urge the Transportation Subcommittees of the U.S. House and Senate Appropriations Committees to make a supplemental appropriation of $20 million of the Recreational Boating Safety and Facilities Improvement Fund for fiscal 1981 and a regular appropriation of $20 million of the said Fund for fiscal 1982, to be administered by the Coast Guard for the purpose of carrying out boating safety and facilities improvement grants to the states as authorized by Public Law 96-451; and

BE IT FURTHER RESOLVED, that copies of this resolution be forwarded to the Honorable Ronald Reagan, President of the United States, the Hon. Drew Lewis, Sec. of Transportation, to Rep. Adam Benjamin, Jr., chairman of the House Appropriations Transportation Subcommittee and to Senator Mark Andrews, chairman of the Senate Appropriations Transportation Subcommittee, as well as to Rep. Mario Biaggi and Senator Robert Packwood without whose support Public Law 96-451 would not have been enacted and to whom the recreational boatmen of this country are most sincerely indebted.

STATEMENT OF RALPH B. HIRSCH, NATIONAL LEGISLATIVE DIRECTOR, LEAGUE OF AMERICAN WHEELMEN

In the Surface Transportation Assistance Act of 1978, the Congress took a bold step forward by authorizing $20 million per year in each of four years for the Bicycle Grant Program under the Act's Section 141. This was designed as a uniquely flexible program, enabling local and state governments to undertake construction as well as non-construction projects to foster bicycle use for transportation.

Two-and-a-half years later the program -- in concept -- remains bold and flexible. Unfortunately only $4 million, out of the $60 million theoretically available in the first three years, was appropriated, and so the program, which is authorized through fiscal 1982, so far remains more promise than fulfillment.

Even so, the response to this underfunded program has been little short of amazing. For the $4 million appropriated in fiscal 1980, the Federal Highway Administration received 558 project applications totaling $38.7 million. Of these, only 156 projects were actually funded, for an average federal grant of less than $26,000 per project. Because so little money was available, there was a premium on ingenuity, on making money go as far as possible, and on projects that did not simply consist of laying down some asphalt. Here are a few examples:

- Indiana -- Evansville: construction of a path, together with a promotional campaign and an educational program for bicyclists.
- Florida -- Tallahassee: installation of bicycle racks and lockers.
- Oregon -- Portland: the Bicycle Commuter Service, which gives advice to would-be commuters and instructs them in cycling techniques, route selection, and bicycle maintenance.
- Pennsylvania -- Abington Township: a bicycle safety training course.
- Massachusetts -- Boston: preparing, printing and distributing a regional bicycle map.

- **Michigan** -- Ann Arbor: spot improvements to various roads, including safety improvements to railroad crossings.

Projects in other states included bicycle racks on buses, highway shoulder improvements, and the replacement of unsafe drainage grates, among others.

The common denominator in most of these projects is that a mode that is suitable for short trips, energy-saving, and environmentally sound, is made more attrattive, safer, and therefore a more realistic choice for regular or occasional use.

In some quarters energy conservation seems to be out of fashion these days. But the current temporary oil glut should not blind us to the fact that our nation still imports about half of its oil supply, and any disruption of the flow from one of the major supplying countries would quickly remind us of our real vulnerability. A small amount of money spent specifically to make the bicycle a realistic alternative for part of the population will almost certainly prove a very sound investment.

In addition the bicycle confers significant gains in mobility, and we think that our cities in particular need alternative modes of local transportation, not as a replacement for the auto but as a complement to a balanced system that in most cases will include both auto and transit.

How much money does the Bicycle Grant Program need for fiscal 1982? Consider that even the full authorized amount of $20 million represents less than 9¢ per person in this country, a country where 103 million new bicycles were bought in the past decade. By contrast, over the two decades of peak highway building activity, from 1956 through 1975, the federal, state and local governments spent a total of $325.2 billion on highways, nearly $1,500 for every man, woman and child alive today. And that amount was spent without considering the bicycle in highway design or operation. Nine cents per year seems a modest amount to be spending toward retro-fitting this vast system, but it is a start.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will stand in recess until 10 a.m., Monday, April 6.

[Whereupon, at 12:45 p.m., Friday, April 3, the subcommittee was recessed to reconvene at 10 a.m., Monday, April 6.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

MONDAY, APRIL 6, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1114, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

CONSOLIDATED RAIL CORPORATION

STATEMENT OF L. STANLEY CRANE, CHAIRMAN AND EXECUTIVE OFFICER

U.S. RAILWAY ASSOCIATION

STATEMENT OF STEPHEN BERGER, CHAIRMAN

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT W. BLANCHETTE

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning we are going to hear from Conrail, U.S. Railway Association, and the Federal Railroad Administration. We have a group of excellent witnesses, Mr. Crane, Mr. Berger, and Mr. Blanchette. Mr. Blanchette has had the opportunity of being here before and has spread his wisdom across the subcommittee and we understand with the reinforcements he has brought today, we will have an even broader comprehension of the problems and challenges and obligations before us.

Mr. Crane, if you would start. I understand each of you have statements for the record. As usual, we will put the entire statements into the record at this time.

[The statements follow:]

STATEMENT OF L. STANLEY CRANE

I appreciate the opportunity to appear here today to discuss Conrail. While your primary concern is the request for Conrail funding for Fiscal Years 1981 and 1982, I look to this hearing as a forum to consider the resolution of the issues that must be addressed if the Northeast/Midwest is to continue to have adequate rail service.

At the outset it might be useful to give you some brief comments on my perceptions about Conrail after having been on the property for two and a half months.

First, Conrail's mainline or core system is in excellent shape. It is the equal of most railroads in this country. The problem, which I will discuss later, is that there is too much railroad for the traffic that is available.

Second, Conrail has a group of dedicated and competent employees - management and labor. The expertise exists on Conrail to bring the railroad into profitability, but only if it is relieved of the constraints presently imposed upon it.

Third, Conrail's service is more than just adequate, it is excellent. We have the physical plant, the locomotives and freight cars we need for our traffic volume. Those resources are being managed to produce a high quality of rail freight service.

Nevertheless, there are two other basics that one cannot ignore, in fact, they are the most important.

> One - Conrail does not have enough business to support the physical plant and equipment it has today. To illustrate, Conrail's car loadings have dropped twenty-five (25) percent from 1977 to 1980; yet few adjustments have been made in the size of the plant.
>
> Two - Conrail's costs are too high. Apply any comparative yardstick you want and the answer is the same. Conrail must reduce its costs.

It is within the context of these two basic facts - too little business and too high costs - that Conrail has been attempting to re-evaluate its role in providing rail service and to develop the plans required by the Staggers Rail Act of 1980.

What I would like to emphasize, however, is that Conrail has not waited for the end of a planning exercise to react to the realities we face. We have begun and we will continue to take the actions within our control and ability to respond to the economic realities confronting Conrail. The key in that statement, however, is "within our control and ability", for as our report to Congress on April 1 stated, Conrail will not make it without the help of others. Simply put, there are not enough self-help opportunities available to Conrail to allow it to become profitable on its own.

The Staggers Act required that Conrail, USRA and the U. S. Department of Transportation all submit reports on April 1 that evaluate the Northeast rail system under three different scenarios. Let me list them for you:

> Case A - No Federal funding after the $329 million authorized in the Staggers Act.
>
> Case B - continued Federal funding with no fundamental changes in the Conrail system or its operation.

Case C - limited Federal funding for Conrail, as necessary to preserve rail service that will be self-sustaining.

Conrail has also prepared a full discussion of another alternative that the government must consider -- liquidation of the Conrail system and the transfer of part of its operations to other railroads.

I must say that while Conrail prepared Case B - continued Conrail funding with no basic changes, it is an option that we feel no one believes is relevant. It does serve as a benchmark, in that it identifies the cost to the taxpayer of merely keeping things running as they are, but it is not really, at least in our view, an option that will be seriously considered.

So the basics that I would like to lay out for you now are those that must occur under any of the remaining options - Case A, Case C, or the transfer of Conrail properties to others.

> First, contributions, concessions, participation - however you want to describe them - must be made by a number of groups if Conrail is to have even an opportunity to become profitable. I will return to these more specifically, but let me say now that this includes shippers, labor, suppliers, state and local communities, as well as Conrail management. This is true whether the decision is to continue with Conrail or to seek another answer.
>
> Second, Conrail must be relieved of the cost of statutorily-mandated labor protection, including Title V, New York Dock and all other job guarantee programs. While there are a number of changes that must occur to reach the goal of a private sector rail system in the Northeast, this is one of those "proverbial" bottom lines. For I can tell you unequivocally that Conrail can never make it if it must bear the costs of any labor protection. I will also tell you, based on my experience, that Conrail's properties will go unsold if purchasers are required to assume the labor protection costs required by Title V of the 3R Act.
>
> Third, Conrail cannot be abandoned into prosperity. The analysis and review in this area is not finished, but based on the work done so far it appears that about 2,500 route miles of Conrail can economically be severed from the system. These lines represent about 14 percent of Conrail's route miles but account for only 1.6 percent of Conrail's revenue. Ultimately, we believe this will save nearly $22 million a year. Conrail's April 1 report identified some of these lines and when the analysis is completed we will identify the remaining lines found to be uneconomic.
>
> Mr. Chairman, you can readily see that while the savings are not insignificant, they are not of a magnitude that will make Conrail profitable. Conrail's problem is that its business is too well distributed over too large a system and abandonments alone won't cure the problem. Let me say that we are also moving on a rationalization program of the core mainline routes that will eliminate about 2000 miles of second and third track railroad.
>
> Fourth, commuter service in the Northeast must be provided by someone other than Conrail. Let me point out that it would be difficult to transfer Conrail's properties to another railroad if those railroads were required to assume the commuter obligations.

Mr. Chairman, what I am compelled to say today is that even if all of these things occur Conrail still requires $342 million of Federal funding beginning in 1982 and ending in 1984. In 1985, Conrail would for the first time generate a profit of $3 million, that is cash in excess of all operating and capital investment needs. In 1986, the profit becomes $154 million.

The forecasts used for this plan are conservative, both in the volume and cost reduction areas. They are conservative because we felt an obligation to present a plan that has a high degree of achievability. We have, for instance, included in this plan a contingency provision of $50 million per year, or $250 million over five years. I believe there is a chance that Conrail can do better, particularly on the operating cost side where we have more control than we have over volume levels.

Therefore, the government must decide whether the investment of $342 million beginning in 1982 is worth it or whether there are other solutions such as the transfer of Conrail's rail properties that would be more economic.

Before going into more detail I would like to make one point. When I talk about profit, I am speaking about cash in excess of Conrail's total operating and capital requirements. As you know, Conrail has been using GAAP accounting to portray its financial results, but that method of accounting does not take into account all of Conrail's capital needs. So you can be showing a handsome profit under GAAP accounting, but still be woefully short of the total cash requirements of the company. This is an important distinction. It is possible, Mr. Chairman, that under GAAP accounting Conrail will break even this year and show a "slight profit." Yet, Conrail will require a $280 million Federal investment this year. I just want to make clear what I mean by profit - that is Conrail being in a position where it no longer requires any Federal investment. I want to be clear that this definition of profit does not include the servicing and retirement of the Federal investment in Conrail. In fact, Conrail suggests that the Federal investment in Conrail be restructured so it becomes a common equity holding.

As I have stated, that plan calls for a Federal investment of $342 million beginning in 1982 and continuing through 1984.

Let me review the major elements of this plan.

At the outset, I do want to make clear that the traffic projections are conservative. They are based on a GNP growth rate that is below historical trend lines and, I believe, lower than many current economic projections for the nation as a whole. Indeed, the revenue projections are the single biggest swing factor from previous Conrail plans. We are projecting traffic trends that are virtually "flat." And that is a big difference from past plans which usually projected significant traffic growth. This is also the place to make the point that if traffic is significantly higher than projections, the requirement for Federal funds will be reduced. Conversely, if these forecasts turn out to be optimistic, the need for Federal investment will be even higher. Finally, I hope by now everyone recognizes the speculative nature of any five year forecast. One only has to recall that in 1975 USRA projected Conrail would be hauling 399 million tons of freight for the year 1980 compared to the 237 million tons we actually moved. Therefore, this is our best estimate, but no one should consider it carved in stone.

As Conrail stated in its March 15 "Report on Labor" Case C requires at least a $200 million annual savings from our upcoming labor agreement settlements. In the years, 1982 through 1986, Conrail requires aggregate labor savings in this area of $1.1 billion. In addition, we project that freight employment on

Conrail will be reduced by 11,000 during this time. A considerable amount of this reduction would occur even faster, if Conrail was able to spend $125 million on a severance program.

Our labor costs could be reduced by up to $310 million over the next five years if the 4,600 excess firemen and brakemen currently on the payroll would accept severance. A favorable resolution of the Amtrak/Northeast Corridor dispute over freight charges would provide another $132 million over five years. A contribution of $50 million per year by states and local communities adds to $250 million over the same five years. If Conrail acquired the traffic currently moving over the D&H (except Montreal-Albany) the benefit to Conrail over the next five years is $250 million. More equitable divisions of revenue with the Long Island Railroad would yield $40 million in five years.

I want to emphasize again that, assuming all of these events occur, Conrail will require the $342 million. If none of these things happen Conrail would need $2.1 billion from 1982 through 1986 and its long term future would not be assured.

Let me turn to Conrail's situation today. Congress has authorized and appropriated $3.3 billion since 1976. The Staggers Rail Act of 1980 authorized an additional $329 million. Both the Carter and Reagan Administration budgets recommend the appropriation of $300 million under the $329 million authorization, although the Reagan budget calls for the last $100 million to be available in Fiscal Year 1982, as compared to all of the funds being available in Fiscal Year 1981, as contemplated in the Carter budget. I support the budget request for $300 million and can tell you that reserving the last $100 million until Fiscal Year 1982 does not present any problem.

Now I would like to lay out the cash situation of the Company. On January 1, 19[illegible] - this year - Conrail had drawn down all but $155 million of the $3.3 billion of the previously authorized and appropriated funds. Based on current projections, it appears Conrail will require a $280 million Federal investment for calendar year 1981. That means that for calendar year 1981 Conrail will need $125 million of the $300 million request you are presently considering.

The next issue is one of timing. Unless I cut back substantially on capital programs, such as the track and other physical improvement projects, Conrail will require the first drawdown of that $125 million early in the third quarter of 1981 or soon after July 1. What I must tell you, however, is that until there is some indication as to when these funds will be available, I am deferring the start of the 1981 track program. It had been scheduled to begin on April 1. It is now tentatively scheduled to begin on May 1. This action has been taken because I do not wish to precipitously run the company out of cash. It is more important, in the short term, to be able to continue to operate the railroad than to start the track program.

Clearly, the government cannot afford to delay making that decision. If that decision turns out to be no more money for Conrail, Conrail could not operate for very long. Furthermore, I cannot tell you with precision how long I could keep the Company operating. Assuming the appropriation of the budget request, there is no problem in 1981. However, 1982 is another story.

Even if all capital programs were stopped completely in 1981 and we did absolutely no track work, repaired no freight cars and locomotives and furloughed thousands of workers, it would appear by the end of 1982 the railroad would be unable to meet its payroll. The results of these actions would certainly be more than just unpleasant. The railroad would deteriorate, both physically and from a service point of view. Parenthetically, I should tell you that even under this scenario I am assuming that the government pays Title V liability. For if Conrail has to pay Title V protection to all of the people furloughed there is no net benefit to the cash position of the railroad. You can see how Title V restricts the use of lay offs as a short term and drastic self-help measure.

And to make sure the message is clear, I would have to take these cash conservation measures immediately. If capital programs, such as the track program and locomotive and freight car repair programs were continued, Conrail would run out of cash by the end of the first quarter of 1982.

Clearly, if there is to be no more federal investment in Conrail the government must begin now to take the actions required to split it up or liquidate it and it doesn't have very long to do it before there is a threat to continued operations. Conrail management needs to know how long it will be required to operate the property. Otherwise, continuing rail service could be jeopardized. Even with a prompt decision, it is my judgment some additional funding will be needed to preserve the railroad until another solution is implemented.

To sum up, I support the supplemental Fiscal Year 1981 request of $200 million and the Fiscal Year 1982 request of $100 million. Of that combined $300 million, I expect that Conrail will have $175 million remaining on January 1, 1982. I also support the Administration's request for an appropriation of $75 million for a work force reduction program as authorized in the Staggers Rail Act of 1980. Conrail's plan calls for the expenditure of $125 million for a work force reduction program and we have included that amount when calculating the total 1982-1984 Federal investment requirement. Therefore, to the extent you would appropriate funds for the work force reduction program, you would reduce the investment we have stated is needed for Conrail after January 1, 1982.

Earlier, I mentioned that alternatives to Conrail were also evaluated. Let me summarize these studies.

For analytical purposes, a hypothetical model, dividing Conrail into North and South "units" was evaluated. Under this scenario, if other railroads took both of these North and South "units", about 95% of Conrail's traffic would continue to move, anywhere from 2,500 to 3,700 route miles would disappear, and about 20,000 of our present force of 65,000 freight employees would lose their jobs. This is about double the number of employees displaced under Case C. We have no way to know whether the sale of Conrail properties in this manner is achievable.

Should the sale of Conrail properties in the manner suggested under the North and South split be impossible, we examined another alternative, liquidation. Conrail estimates that liquidation or the sale of Conrail lines to other railroads based on what we believe they would buy would result in the abandonment of about one half of Conrail's route miles, about 60 percent of Conrail's traffic would continue to move and the displacement of about 40,000 of our freight employees. Furthermore, we estimate that either controlled transfer or liquidation would take up to two years to implement if serious dislocation problems were to be avoided. I must remind you that the funds requested in the present Budget are not sufficient to keep Conrail operating for those two years. Furthermore, given the fact that uncertainty about Conrail's future would intensify during this interim period, significant traffic diversion to other railroads and other modes can be expected. The revenue loss from diversion during this interim two year period could range from $800 million to $2 billion. This would greatly increase Conrail's funding needs pushing them well over the $342 million requirement of Case C and as high as $600-$800 million.

I must add that we believe that for the sale of Conrail's rail properties to work, most of the contributions, concessions and changes outlined earlier would have to be present. You will see in our April 1 report that we have made the same assumptions for the sale of our rail properties that were made for Case C.

In short, Mr. Chairman, these are rough approximations of the alternatives faced by the government. I am sure they will be carefully studied and evaluated. I fully expect the most economic plan will be the ultimate choice.

I do want to make sure, however, that as the government considers the overall economics of each of these alternatives, it keep in mind the total cost of the Northeast/Midwest rail problem.

Let me illustrate. I stated that Conrail would need $342 million in additional Federal funding by 1984. I also said that Conrail had to be relieved of the Title V liability. Our estimate of that Title V liability, based on the existing statutory level of protection is approximately $374 million for the years from 1982 to 1986. This assumes that Conrail is able to successfully implement the severance program for 4,600 excess firemen and brakemen discussed earlier. The Title V costs associated with the North/South Controlled transfer we constructed could be as high as $1.6 billion for the five year period and for liquidation that number becomes $3.2 billion for the same five year period. These costs could also be reduced somewhat if the severance program for Conrail was implemented for these alternatives. But a severence program is not inexpensive. Assuming severence costs of $25,000 per employee, the cost for the North/South scenario I discussed is about $500 million. The liquidation severence costs would be about $1 billion.

If the existing level of protection is retained, we estimate that the total labor protection costs -- that is the payments required until there are no protected employees -- could be as high as $1 billion for Case C; $4.8 billion for controlled transfer and $9.7 billion for liquidation. I mention these figures to illustrate the potential problem in this area.

Obviously, changing the statutory level of protection would have a dramatic impact on the total cost to the government for resolving the Northeast/Midwest rail issues. But, the costs of labor protection must be considered as the overall solution is debated, discussed and finally resolved.

At this point, it is appropriate to state that Conrail supports the request of an additional $60 million to fund Title V in Fiscal Year 1981. What is of concern is that there is no budget request for Title V funding for Fiscal Year 1982. It must be made clear that if the statutory level of Title V protection remains unchanged, there simply is no way Conrail will ever become profitable. And let me state again, there is no hope that Conrail's properties can be sold to others if Title V labor protection payments must be assumed by the purchasers. Failing to appropriate Title V funds for Fiscal Year 1982 places the burden, under existing law, on Conrail. Conrail cannot stand up under that burden.

Before closing, I do want to emphasize again the need for a timely resolution of these issues. I have laid out for you the problems associated with a "no more" Federal funding scenario. Delay and/or indecision can have disastrous consequences. Shippers seek alternatives, suppliers could seek payment in advance, lack of funding results in the deterioration of the physical plant, keeping good management talent becomes very difficult and private sector financing for equipment will not be available. Delays breed uncertainty and could irreparably harm the Region's economy.

We at Conrail are prepared to cooperate. All of us are prepared to help make the hard choices. We will share our experience and what expertise we have. I do want this committee and the rest of the government to know that, once a decision is made, we will do our best to implement it.

I wish I could sit here today and tell you that without any doubt Conrail can make it. I simply cannot do that. I can tell you that under the conditions we have set forth, and with the additional funds we have said are needed, it has the opportunity to become profitable. There are many objectives in the proposed plan, all of which must be achieved for Conrail to make it. But I will not overpromise. There are many imponderables - too many uncertainties. This is a public policy decision - it is a decision involving the allocation of limited resources and one for the government to make.

Thank you.

STATEMENT OF STEPHEN BERGER

I appreciate the opportunity to appear here today in support of our appropriation requests. They include a $300 million supplemental for purchase of Conrail securities in fiscal year 1981 and a request of $18.5 million for administrative expenses of the United States Railway Association for fiscal year 1982. The Committee has been supplied with budget details supporting these requests.

While we are not requesting at this time any 1982 appropriations for purchase of Conrail securities, I will touch briefly on the major points which were included in our April 1, 1981 report analyzing options for the future of Conrail.

Our request for a 1981 supplemental of $300 million for purchase of Conrail securities now assumes that $100 million will not be required until the early months of fiscal year 1982.

The supplemental appropriation of $300 million will be in addition to $185 million appropriated for FY 1981 in the regular appropriation bill. This $300 million will bring the cumulative appropriation for this purpose to $3,600 million as compared to cumulative authorizations of $3,629 million under the Regional Rail Reorganization Act of 1973 (3R Act), as most recently amended in October 1980 by the Staggers Rail Act (P.L. 96-448).

Funds appropriated pursuant to this authorization have been used by the USRA to purchase debentures and series A preferred stock issued by Conrail. Conrail uses these funds along with internally generated funds to undertake major rehabilitation of plant and equipment and to cover operating losses.

The regular 1981 appropriation of $185 million exhausted the $3,300 million amount then authorized. Subsequent to that appropriation the Staggers Rail Act of 1980 was enacted which increased this authorization by $329 million.

For the remainder of the calendar year, Conrail may require up to an additional $300 million, the amount proposed as a 1981 supplemental appropriation. It is essential that the funds be made available so that Conrail can continue to operate and to conduct a minimal maintenance and rehabilitation program. This supplemental will make $485 million available for USRA purchase of Conrail securities. It is expected that $100 million of the supplemental would be available for fiscal year 1982.

Federal funds for assistance to Conrail in FY 1981 appear in two other appropriation accounts: a $60 million supplemental is proposed for "Rail Labor Assistance" to make employee protection payments as required by Title V of the Rail Act of 1973; and $25 million in supplemental funds has been requested as part of the $200 million manpower reduction program authorized in the Staggers Act. Both supplementals appear as part of the Federal Railroad Administration's budget. In addition, the Administration is requesting a FY 1982 appropriation of $50 million as part of the manpower reduction program.

The Association supports all three appropriation items. The $60 million request for Title V employee protection payments is essential since at least half of this amount has already been paid out by Conrail in accordance with the requirements of Title V and the remainder will be needed by the end of the year. If these funds are not made available to reimburse Conrail, substantial curtailment of Conrail's already minimal budget will be required.

The amounts proposed for manpower reduction are just a start for this new effort. It is hoped that these funds can be used to minimize in a cost-effective manner the need for employee protection payments in the future. The concept is that through a one-time payment an employee can be retired early thereby eliminating his entitlement to future employee protection payments.

It is appropriate at this point to touch briefly on a number of areas which are included in the United States Railway Association's April 1 analysis of options for Conrail, pursuant to Section 703 of the Staggers Rail Act of 1980.

In USRA's December report, it was stated that the Staggers Rail Act provides Conrail with more than enough opportunity to realize adequate revenues, but that Conrail's costs in relation to its revenues far exceed the industry average. We believe that as long as profitability remains a goal, a convincing case can be made for further Federal funding only after Conrail's cost/revenue relationship is altered in a fundamental way.

USRA's analysis reveals that there may be an opportunity for Conrail to become self-sufficient by 1985 if four basic achievements are realized: (1) aggressive use of its new economic flexibility; (2) tight management of its cost structure; (3) significant concessions by labor to increase productivity and reduce costs; and (4) legislation to relieve

Conrail of the unrealistic cost burdens of passenger and commuter operations and of long-term labor protection placed on the railroad at its beginning.

In the December report, USRA stated that Conrail could achieve substantial additional revenues if it made aggressive use of its pricing opportunities under the Staggers Act. However, if Conrail were to surcharge all of its business to the statutory threshold, a considerable portion of current traffic could be diverted. Therefore, to offset revenue lost from any diverted traffic, Conrail's rate increases must be very selective so that profitable business is not diverted and the problem of its noncompensatory traffic is addressed. Innovative, aggressive pricing could result in significant revenue increases and help improve Conrail's profit margin.

With respect to nonlabor-related cost reductions, USRA has identified areas of potential economy including transportation costs, car utilization, overhead expenses, elimination of duplicate facilities, and the removal of through-freight trains from the Northeast Corridor.

The third issue -- work rule changes -- has the potential for realizing the greatest cost savings for Conrail. Modifications in rules pertaining to train crew size, arbitraries, deadheading, mileage basis of pay, and other practices can provide savings for Conrail as high as $325 million per year. If the collective bargaining process yields total savings of at least $225 million per year, Conrail should be well on the way to financial self-sufficiency. Because it would take some time to negotiate such changes, however, an interim cost-saving step that could be taken is a series of wage freezes and/or deferrals until work rule changes are implemented. Wages then could be unfrozen and deferrals made up in increments as procedures were implemented to increase employee productivity. But, it should be emphasized that Conrail must save the $225 million-per-year in labor costs by no later than early 1982 in order to survive.

Conrail has been unable to achieve significant savings to date from its Crew Consist Agreement and the National Manning Agreement because of the attrition provisions each contains. In order to speed the necessary attrition of employees as well as positions, the $200 million authorized in the Staggers Act for this purpose should be used.

If all of these cost efficiencies are realized, the result could be a Conrail of approximately 13,000 route-miles with projected gross revenues of $7.5 billion and net income of $500 million in 1985. This is a stark difference from the present 18,000 route-mile system which lost $380 million in 1980.

One of the impediments to a self-sustaining Conrail is the enormous cost of labor protection obligations that would result from any restructuring. The 13,000 mile configuration could result in a reduction of approximately 4,000 Conrail employees because of modifications to the plant size. Additional reductions in the employment roster could be obtained through modifications of existing work rules. Under the present labor protection provisions of Title V of the 3R Act, approximately 55 percent of all present employees in freight service are entitled to full protection to age 65, while an additional 17 percent are entitled to partial protection. In addition, employees not currently protected by Title V could be expected to receive protection for six years under labor protection conditions normally imposed by the ICC for line abandonments ("New York Dock Conditions").

The Association estimates that labor protection costs under Title V could amount to as much as $2 billion in achieving a self-sustaining Conrail. But if protection were limited by legislation to that granted in the Milwaukee Railroad Restructuring Act or in a 1972 Central of New Jersey abandonment proceeding, the costs would be reduced, ranging up to

$580 million and $53 million, respectively. One of our assumptions regarding the future viability of Conrail is that labor protection would not be the railroad's responsibility -- a condition which varies from existing law. I must emphasize that USRA believes that Conrail cannot become financially self-sustaining, despite all the productivity improvements I have outlined, unless it is relieved of this enormous labor protection burden.

Another major obstacle to viability is Conrail's passenger service operations. No other railroad in the country, including AMTRAK, is responsible for as varied and complex commuter services as is Conrail. Conrail is the largest commuter carrier in the country. Not only do commuter operations drain working capital, they also divert a great deal of management attention from Conrail's principal task of providing freight service.

The challenge to Conrail in the next two years to turn itself into a successful freight railroad can only be hindered by continuing to burden it with passenger operations. We believe Conrail's commuter responsibilities should be terminated not later than July 1982. However, a transfer within this relatively short period is feasible only if the commuter authorities are not burdened with the labor protection obligations associated with the assumption of Conrail's 11,000 commuter employees after their separation from Conrail.

Conrail may be able to achieve viability by 1985 with limited Federal funding of operating losses through fiscal 1982 and of capital expenditures through fiscal 1983. But, as a condition to this further funding, Conrail should be required to achieve very substantial, visible progress through a two-year transition period. USRA believes that performance milestones should be established to measure progress over the two-year period. If Conrail fails to achieve these goals, the railroad should be dissolved. To prepare for this possibility, detailed plans for replacing Conrail by transferring its facilities and equipment to other railroads should be developed. In USRA's view, this two-year transition period would make the most effective use of the resources necessary either to ensure Conrail's success or to provide the solid planning and improvements to Conrail that are prerequisites for a potentially successful "controlled transfer."

In considering the controlled transfer, it is important to understand that the process itself is lengthy and complex and cannot be implemented in a brief few months. The process depends on the number of acquiring railroads, their degree of interest in various Conrail routes and markets, the degree of Federal involvement in the transfer operations, and other factors. In such a situation, it is not possible either to gauge costs beforehand or to compute the Federal Government's share.

USRA has recently talked with a number of Conrail's logical potential acquirers and they have said that unless they know the costs and can be assured that some of the changes we recommend in our April report will be made, they would not and could not be parties to a controlled transfer.

Despite the inability to gauge the precise costs of a transfer, we believe that it would be cheaper in the long run to provide the two-year transition period USRA recommends. With progress mileposts and a close scrutiny of Conrail as it proceeds toward 1985, there are benefits which accrue. They include the solution of many of the difficult issues, such as labor protection, work rule changes, and plant reduction that effectively hamper Conrail in its current configuration and prohibit a successful transfer. At the end of the transition, there will have been two years of additional progress in solving the crisis. At that point, we will either have a successful Conrail or the solid foundations for a potentially workable transfer. If a transfer were initiated within the next few months, this potential progress in planning would be lost and the opportunity to reinvigorate the economy of the Northeast and Midwest would also have been missed.

The future of Conrail depends on the active cooperation of all interested parties -- management, labor, shippers and states. Management must achieve efficiencies of operation or witness the liquidation of the railroad. Labor must allow productivity improvement or risk the loss of thousands of jobs. Shippers must pay compensatory rates or risk losing rail service. States and communities must mitigate the economic impact of line abandonments with financial assistance or face a greater loss of rail service. I believe the Federal Government must be prepared to assume the cost of interim financing for Conrail as well as the responsibility for solving the labor protection issue if it is to realize its original goal of a revitalized, profitable railroad serving the Nation's largest industrial area.

Mr. Chairman, I am also here today to testify in support of an appropriation of $18.5 million for administrative expenses of the United States Railway Association for fiscal year 1982.

The Committee has been supplied with budget details supporting this appropriation. Briefly, USRA requests:

- $12.0 million for expenses in support of litigation now pending before the Special Court (65 percent of the total);
- $6.5 million for expenses in connection with Conrail planning (35 percent of the total).

As the figures show, nearly two-thirds of the Association's fiscal year 1982 budget request will be needed to support the valuation litigation pending in the Special Court. Last November the Government Parties and the Penn Central Corporation arrived at a settlement with respect to the value of the properties conveyed by Penn Central to Conrail on April 1, 1976. The amount of this settlement was $1.46 billion, valued as of the date of conveyance. The range of value claimed by the

Government and the Penn Central, respectively, had been between roughly $500 million and $6 billion. Since the Certificates of Value bear interest at the statutory rate of 8% compounded annually, the Penn Central's Certificate was actually redeemed for slightly more than $2.1 billion at the closing of the settlement on January 15, 1981.

Settlement of the Penn Central claim, however, does not end the litigation. The claims of six major bankrupt railroads other than the Penn Central are still being litigated before the Special Court. The Federal Government is still faced with nearly $1 billion in claims by these remaining estates. Further, while the Penn Central assets represented a major portion of the property transferred to Conrail, elimination of Penn Central from the case does not reduce the complexity and difficulty of the litigation proportionately. The Government Parties still must deal with the same legal and economic issues that were presented when Penn Central was in the case.

We are presently negotiating with the remaining transferors in an effort to arrive at settlements which are favorable to the Government's interests. However, it is not possible to predict whether we will reach a settlement with any of those estates. It is therefore imperative that we continue to litigate the case vigorously so as to insure a favorable outcome, whether by settlement or by judgment of the court.

Work on the two major evidentiary phases of the valuation case is proceeding simultaneously:

-- The Parties are nearing completion of the rail-use phase of the case in which the transferors are seeking to establish values for those portions of their rail systems which they contend could have been sold for continued rail use to purchasers other than Conrail. Initial rail-use briefs were filed by the Government Parties and the remaining transferors on January 12, 1981. Final rail-use briefs are scheduled to be filed on May 5, 1981.

-- In the nonrail use, or "scrap", phase of the litigation, the Parties will present evidence as to the values of property which would not have been continued in rail use. At the direction of the Court, the Parties filed on March 19, 1981, preliminary proposals for trial of scrap value issues. We anticipate that the Court will specify a schedule for trial of this phase of the case sometime this spring. It is expected that we will be engaged in trying the case throughout the 1982 fiscal year.

Litigation costs are coming down rather sharply, both because of the Penn Central settlement and because of completion of the rail-use case. Last year we spent $21.2 million, this year we expect to spend about $17 million, and next year we are proposing $12.0 million for litigation.

During the past year, USRA has devoted most of its non-litigation resources to developing the April 1 report to Congress concerning the future of Conrail. It is, of course, our hope that Congress can resolve the issues involved in Conrail's future during the current calendar year. To assist Congress in this effort, we anticipate performing additional work that draws on our seven years of experience with the Northeast rail situation.

We see fiscal year 1982 as a critical year for the Federal Government in its relations with Conrail. Aggressive monitoring must be accompanied by contingency planning for actions to be taken if Conrail fails to make significant progress toward self-sufficiency. The Association's capacity for both monitoring and planning is in place and, in our judgment, should be maintained.

For these reasons, we are requesting an appropriation of $18.5 million. This represents more than a $10 million reduction from the fiscal year 1981 appropriation level. This 30% reduction results from the curtailment of litigation following the settlement with Penn Central, as well as a reduction in the need for contractual services for evaluation of Conrail.

The Administration has recommended a 1982 appropriation for USRA's administrative expenses of $14 million. This lower figure assumes that USRA's Conrail monitoring functions will be completed in the first half of the fiscal year. At the same time, the Office of Management and Budget is recommending an additional $4.5 million and 25 employees for the Federal Railroad Administration to offset this reduction in USRA's capacity to monitor Conrail.

As noted, we are seeking an $18.5 million appropriation, the amount of the administration's total request. We make this request because we believe that USRA should have a continuing role in developing and implementing whatever solution is adopted by the Congress to the Conrail dilemma. So long as a substantial planning and monitoring function needs to be performed, it would seem to be counterproductive to dismantle the highly experienced team at USRA and assemble and train a new team to do the same job at another agency. Rather, it would seem preferable to terminate all of our planning and monitoring functions when a solution to the Northeast rail problem is attained. Transfer of those functions to a permanent agency could make termination more difficult to accomplish despite that objective having been achieved. At any rate, the appropriate timing of a transfer, if any, is impossible to predict now. Under the Association's proposed appropriation such a prediction is not necessary since a transfer of funds could be accomplished if and when a transfer is determined to be desirable.

STATEMENT OF ROBERT W. BLANCHETTE

Mr. Chairman, and members of the Subcommittee, the Department of Transportation is pleased to testify on the funding requirements associated with the Administration's proposal for resolving the Northeast rail problem. You have received the Department's March 31 report, submitted pursuant to the Staggers Act, which outlines this proposal.

Before discussing the funding implications of our plan, let me first describe its essential elements and assumptions, including the reasons we believe it is the only proposal we know of which has a true chance of succeeding.

The Department proposes to fashion a permanent solution to the problems confronting shippers and commuters in the Northeast. This solution will center upon the premise of continued and improved rail service, with the prospect of greater competition. It will also relieve the taxpayers of the burden of supporting an inefficient, expensive, nationalized Conrail system.

The Department's proposal is based on the following policy goals.

- The regional freight services now operated by Conrail should be integrated into the new, interregional freight services developing through the merger of profitable railroads throughout the Nation. Conrail shippers and communities must have access to these new interregional services.

- Railroad freight service should be provided by profitable railroads. The Government's involvement should be to act as a catalyst in the transfer of Conrail services to these railroads.

- Railroad service should be provided on a commercial basis that is fair to both the users and the railroads.

The highlights of the Department's proposal include the benefits that will flow from the transfer of Conrail's services to profitable railroads; the likelihood that the transfer will be successfully implemented; and the solutions to commuter, labor protection, and freight terminal operating problems that must be developed and implemented as a prerequisite to the transfer process.

Solutions Preceding Transfer

Any solution to the Conrail problem requires that three long-standing problems be addressed. These areas involve commuter service in the Northeast, the congested, high-cost terminals and freight switching operations along the East Coast and Conrail's high labor and labor protection costs.

Conrail's commuter services must be separated from its freight system. Commuter services should be operated by a passenger-oriented entity, not by Conrail or any other freight railroad. Commuters in the Northeast deserve a first-class operation run by a full-time, passenger-oriented management that can devote all of its attention to resolving the difficult operating, labor and cost issues that are involved in commuter service. The Department proposes to transfer Conrail's commuter operations to one or more such managements.

Profitable freight railroads may also be unwilling to accept entrepreneurial responsibility for the present terminal operations in and adjacent to the Corridor between Wilmington, Delaware, and the New York/New Jersey port area. These services are vitally important to this highly industrialized area and must be attended to directly. The Department believes it would be best if profitable railroads assumed and operated these operations, and it is prepared to structure the purchase of these facilities in a way that will facilitate this outcome. If the Department finds that the profitable railroads are reluctant to provide the service that is needed, however, it is willing to support formation of one or more terminal companies dedicated solely to continuing and improving these terminal services. As with other terminal companies, the operating costs of this company should be offset by switching charges paid by the profitable railroads for traffic handled by the terminal.

The final area which needs resolution is the large number of Conrail employees and the attendant high cost of labor protection. Any reduction in employment Conrail makes in an effort to become self-sufficient is negated by Conrail's labor protection liability. Savings from operating efficiencies would be quickly offset by current Title V liabilities or similar conditions, if they were to be imposed.

The problem exists for Conrail or any of its possible successors. Other carriers would not assume the large numbers of Conrail employees now utilized in providing service, nor the protection costs associated with reducing the work force. At the same time, the Department does not believe it is appropriate that the total burden of change be placed on the taxpayer.

The Department believes this problem should be solved along the concepts evolved in the Milwaukee case. First, the Title V protective conditions must be repealed. A new program of labor assistance should then be enacted which is fair and equitable for both employees and the taxpayers. The program must include equitable protection for employees, including one-time compensation for employees who lose their jobs and assistance for workers in relocating and finding other railroad positions. Employees hired by acquiring railroads should be given a reasonable wage guarantee for a specific period of time by the acquiring railroad.

It is essential that rail labor participate directly in developing the solution. The Department will work with the railway labor organizations and railroads to resolve these issues.

Benefits of Transfer

Once these improvements are made, there are major benefits to shippers, commuters, Conrail employees and profitable railroads that lead to the transfer of Conrail's services and lines.

- First, if profitable railroads acquire Conrail's services and lines and merge them into their own systems, Conrail's shippers and communities will receive more efficient, reliable, and competitive single-line rail service. For the first time, Conrail shippers will be able to avoid the expense and dispersion of accountability implicit in the interchange of cars between railroads at historic regional boundaries. The integration of Conrail's lines with strong interregional carriers will provide Conrail shippers with direct service from points throughout the Northeast to customers in other regions of the country. This new service pattern also will allow Conrail shippers to derive the maximum possible benefits from the innovative pricing and contract freedoms this Subcommittee played such a key role in enacting through the Staggers Rail Act of 1980.

- Allowing profitable railroads to integrate Conrail's services and lines into their own operations will expand the revenue base of these railroads and provide opportunities for them to reduce costs by consolidating their operations with Conrail's. This will enable these railroads to improve the service they provide to both Conrail shippers and their own shippers in the Northeast and in other parts of the country.

- Allowing profitable railroads to acquire Conrail's lines will generate the highest economic use of the $2 billion investment the public has made since 1976 in rehabilitating these lines. It will also protect the public's investment by guaranteeing that the lines will be owned by profitable railroads that can adequately maintain them.

- Perhaps most important, bringing strong, profitable railroads farther into the Northeast to operate Conrail's services and lines will permanently stabilize the Northeast railroad system. It will assure secure employment for the individuals hired by the acquiring carriers and encourage industrial reinvestment in the region. The Department believes the introduction of service by profitable, interregional railroads will be of immense assistance to the efforts by Northeast states and communities to revitalize their economies.

Implementation of Transfer

Whether profitable railroads will participate fully in the implementation of a service transfer program has always been at the core of the transfer issue. The Department strongly believes that, although the Congress should expect initial expressions of caution, the rail industry will cooperate and will participate fully if the three problems referred to earlier are addressed.

The profitable railroads surrounding Conrail realize significant revenue from the traffic they interchange with Conrail. Of the 10 railroads that interchange the most traffic with Conrail, 3 are in the East, 2 are Canadian carriers and 5 are Western railroads. Traffic density and flow maps incorporated in the Department's formal report illustrate the magnitude of the commercial interests of these railroads in a Conrail solution.

Not only will these railroads want to perserve their existing traffic base, but they will also want to gain access to Conrail's local traffic and eliminate the costly inefficiencies and delays implicit in interchanging traffic with Conrail. No railroad can afford to sit on the sidelines once the transfer process is approved and underway.

Conrail and USRA Reports

This Subcommittee is also referred to the recommendations of Conrail and the United States Railway Association. Both recommend that Conrail be continued and that it be directed to make dramatic changes to reduce its costs. USRA recommended that milestones be established to measure whether Conrail is making sufficient progress in reducing its costs. Both strategies require complete, total achievement of their extremely ambitious programs if Conrail is to become even marginally viable. To the extent the plans are not achieved, Federal funding will be needed beyond the $604 million required by Conrail or $657 million requested by the Association in their plans.

In all candor, Mr. Chairman, and based on my experience, neither plan has a chance of succeeding.

The Conrail and Association plans, Mr. Chairman, give the planners a second bite of the apple, once again financed by the taxpayers. If the second chance does not work, and we believe it will not, then both Conrail and the Association would agree that the Department's recommended course is the right one, and that transfer of Conrail's services should occur.

Past solutions have failed because we have been willing to invest public funds on the strength of optimistic assumptions which have never been achieved. It would be a serious error, and an unwise commitment of public monies, to perpetuate Conrail on the basis that it can achieve, in a timely manner, the unprecedented labor changes, fundamental operating changes, and traffic and revenue gains that the Association and Conrail have predicted. The Department strongly recommends against this quixotic venture to perpetuate Conrail. Instead, an orderly transfer of Conrail's services, and the lines, employees, and equipment necessary to provide them to profitable railroads should be undertaken.

Even if Conrail were somehow to achieve the breakeven operation the Association and Conrail predict and no longer to depend on an annual infusion of public funds, it would remain a marginal railroad, owned by the Government, isolated from the mainstream of the railroad system and unable to provide the kind of service its patrons need.

The Nation and Northeast deserve better.

I am pleased to try to answer any questions you might have.

SUMMARY OF STATEMENT

Mr. CRANE. Mr. Chairman, as you say, I have my full statement which I have given to the reporter. I do want to say we appreciate the opportunity to appear before you to discuss Conrail.

At the outset it might be useful to give you some brief comments on my perceptions about Conrail after having been on the property for about 3 months.

I would like to say that Conrail's mainline or core system is in excellent shape. I believe it is equal to most railroads in the country. We have a group of dedicated and competent employees, both management and labor.

Our rail service which is the reason we exist and it is now more than just adequate, it is excellent.

Nevertheless there are two other basics that we cannot ignore. Conrail does not have enough business to support the size of the physical plant and equipment it has today. Conrail's costs are too high and these costs must be reduced.

The Staggers Act required that Conrail, USRA and the U.S. Department of Transportation all submit reports on April 1 that evaluate the Northeast rail system under three different scenarios and let me list them for you.

Case A was no Federal funding after the $329 million authorized in the Staggers Act. Case B was continued Federal funding with no fundamental changes in the Conrail system or its operation. Case C is limited Federal funding for Conrail as necessary to preserve rail service that will be self sustaining.

Conrail has also prepared a full discussion of another alternative that the Government must consider and that is liquidation of the Conrail system and/or transfer of part of its operations to other railroads.

While Conrail prepared case B continued Federal funding with no basic change in it is an option we feel no one believes is really relevant.

I would like to identify for you those things that must occur under any of the remaining options, case A, case C, or the transfer of Conrail properties to others.

Conrail must be relieved of the cost of statutorily mandated labor protection including title V, New York dock, and all other labor guarantees. For I can tell you unequivocally that Conrail can never make it if it must bear the costs of any labor protection.

I will also tell you that based on my experience, Conrail's properties will go unsold if purchasers are required to assume the labor protection costs required by title V of the 3R Act.

Second, commuter service in the Northeast must be provided by someone other than Conrail. Let me point out that it would be difficult to transfer Conrail's properties to another railroad if those railroads are required to assume the commuter obligations.

Third, contributions, concessions, participation, however you want to describe them, must be made by a number of groups if Conrail or a potential purchaser is to have even an opportunity to become profitable.

Fourth, Conrail cannot be abandoned into prosperity. Based on the work we have done so far it appears that about 2,500 route-miles of Conrail can economically be served from the system.

If all those things occur, Conrail will still require some $342 million of Federal funding in 1982 and ending in 1984. By 1985 our plan would indicate Conrail would generate sufficient cash to cover all of its operating costs and capital investment needs of $600 million annually and produce additional cash of $3 million in 1985. In 1986 the cash would become in excess of $154 million.

Therefore, the Government must decide whether the investment of $342 million beginning in 1982 is worth it or whether there are other solutions such as the transfer of Conrail's rail properties that would be more profitable.

Let me review the major elements of our plan.

We are projecting traffic trends that are virtually flat. Our estimates of income are conservative and that is a big difference from past plans which usually projected significant traffic growth.

As stated in its March 15 "Report on Labor," Conrail must achieve a $200 million annual savings from its upcoming labor agreement settlements. In addition, we project that freight employment on Conrail will be reduced by 11,000 during this time and among these 11,000 employees there are some 4,600 excess firemen and brakemen who could be severed immediately through a buy-out or severance fund. Already authorized is $200 million for this purpose and we are requesting that $75 million of that be appropriated in fiscal year 1981.

A favorable resolution of the Amtrak Northeast corridor dispute over Conrail's trackage right charges could produce annual savings of $34 million; a $50 million contribution per year by States and local communities adds up to $250 million over the same 5 years and if it is decided the Delaware & Hudson Railway Co. should not be maintained as a competitive railroad in our territory, we could acquire the traffic they now operate over trackage rights they have over our railroad which would benefit Conrail for the next 5 years by $250 million.

Equitable divisions of revenue with the Long Island Railroad would yield $40 million in 5 years.

Assuming all these events occur, Conrail will require the $342 million. If none of these things occur, we would need some $2.1 billion from 1982 through 1986 and our long-term future would still be cloudy.

I would like to lay out the cash situation of the company as of January 1, 1981. This year Conrail had drawn down all but $155 million of the $3.3 billion of the previously authorized and appropriated amount. Based on current projections it appears Conrail will require about $280 million Federal investment for calendar year 1981 including title V liability.

The next issue is one of timing. Unless I cut back substantially on capital programs such as the track and other physical improvement projects, Conrail will require the first drawdown of $125 million early in the third quarter of 1981 or soon after July 1.

Unless there is some indication as to when these funds will be available I am deferring the start of the 1981 track program. It had been scheduled for April 1 and it is now tentatively scheduled to begin on May 1.

This action has been taken because I do not wish to precipitously run the company out of cash. It is more important in the short term to be able to continue to operate the railroad than to start the track program.

Clearly the Government cannot afford to delay making that decision. If that decision turns out to be no more money for Conrail, Conrail will run out of cash by the end of the first quarter of 1982.

I support the supplemental fiscal year 1981 request for $200 million plus $60 million for title I and the fiscal year 1982 request of $100 million. We forecast that Conrail will have $175 million cash or available drawdowns remaining on January 1, 1982.

I also support the administration's request for an appropriation of $75 million for a work force reduction program or a buy-out as authorized in the Staggers Act of 1980, however, I would prefer that the entire amount be made available in fiscal year 1981.

Conrail's plan calls for the expenditure of $125 million for a work force reduction program and we have included that amount when calculating the total 1982 to 1984 Federal investment requirement.

Earlier, I mentioned that alternatives to Conrail were also evaluated. Let me summarize those.

For analytical purposes, a hypothetical model dividing the total mileage of Conrail into north and south units, was evaluated. Under this scenario, if other railroads took all of the mileage of both of these north and south units, about 95 percent of Conrail's customers would continue to receive rail service. Anywhere from 2,500 to 3,700 route-miles would disappear and about 20,000 of our present work force of 65,000 freight employees would lose their jobs.

We examined another alternative, liquidation. Conrail estimates that liquidation or the sale of the most economically attractive Conrail lines to other railroads would result in the abandonment of about one-half of Conrail's route-miles, about 60 percent of Conrail's traffic would continue to move and there would be a displacement of about 40,000 of our freight employees.

We estimate that either controlled transfer or liquidation would take up to 2 years to implement if serious dislocation problems were to be avoided.

I must remind you that funds requested in the present budget are not sufficient to keep Conrail operating for these 2 years.

Given the fact that uncertainty about Conrail's future would intensify during this interim period, significant traffic diversion to other railroads and other modes can be expected. The revenue loss from diversion during this period could range from $800 million to $2 billion. Shippers would seek alternative modes. Suppliers would seek payment in advance. Keeping good management talent could become difficult.

As a result of present indecision, private capital markets are already closed to Conrail. Delays will harm the regions' economy. This would increase Conrail's funding requirement needs pushing them well over the $342 million requirement of case C.

To attract purchasers we believe that for the sale of Conrail's rail properties to work, most of the contributions, concessions, and changes outlined earlier would have to be present.

In short, Mr. Chairman, these are rough approximations of alternatives faced by the Government. I am sure they will be carefully studied and evaluated. I fully expect the most economic plan will be the ultimate choice.

I will be glad to answer any questions you may have.

Senator ANDREWS. Thank you, very much. Before we pose questions, I would like to hear from Mr. Berger and Mr. Blanchette.

Mr. Berger.

STATEMENT OF STEPHEN BERGER

Mr. BERGER. Thank you, very much, Mr. Chairman.

Let me try to report to you on our report and on the deliberations of the Association.

Let me say I do not believe there is any no-cost, no-risk solution to the problems we are facing. All the choices raise risks. All the choices have costs. Some are costs directly to the Federal Government. Some are costs to the economy.

We have tried to weigh some of those costs. We have tried to look at history as well as the future.

We are concerned with the final product. We are concerned with the steps that have to be taken, the specific steps to achieve whatever goals this Congress decides to appropriate.

CONRAIL STUDIES BY USRA

To meet the Staggers Act mandate, the USRA did four studies. I would like to take a moment to describe them to you. They do try to meet the Staggers Act requirement of continuing, reducing, and eliminating further Federal funding for the system.

The first study we did was published in December. We called it Conrail 1985 I. Its primary purpose was to use the Staggers Act as enacted last year and to use it as a tool to determine what would happen if you used pricing flexibility on the Conrail system.

We used that type of pricing flexibility. It increased revenue. It had the result of shrinking the system about 4,500 miles. It reduced about 6,000 employees as of January 1, 1984. It assumed good management on the system, sensible management which I believe we now have.

Unfortunately the result was still a $1.5 billion deficit for the 1981–85 period and no promise of future viability.

The second study, which was part of our April report, assumed we could remove all pricing restrictions and give the rail system total pricing flexibility.

The result of that exercise is a much shrunken system. You lose about 8,500 miles of the system. You lose about 15,000 employees. You lose a great deal of traffic. Unfortunately, you still do not have the guarantee of viability. You lose much of the potential cost advantage you may have and you lose traffic to other modes of transportation.

That brings you back to where many of us thought you had to go from the beginning and that is to look at costs, Mr. Chairman.

The third approach we took started with the Staggers Act as the revenue tool but then began to attack the heart of Conrail's problem which is the high cost of its operations. The effort was to make the Conrail cost profile similar to that of other railroads. When you do that, the result is very interesting, unlike the first two studies.

You begin to see a real possibility of viability. Interestingly enough, once the costs come down, fewer miles of the system have to be removed because your unit costs begin to more reasonably reflect costs in the industry.

It is true that you still have major reductions. You lose 4,000 miles of track. You still reduce 12,000 employees by 1984.

We believe what you have is the potential for a viable system.

Let me take a moment to describe the fourth study we did which is not an option but it does reflect the Staggers Act requirement of no more funding for the system.

It was a study to understand what really happens on the Conrail system. It was a traffic study. It was an effort to find out how much traffic moves where on the system. It has been described by our colleagues at FRA as the fire sale position of USRA but it was not a position. It was an attempt to do some of the serious work necessary before one could talk about controlled transfer; to know what, in fact, takes place on the system.

Controlled transfer is a geographic approach. We wanted to look at the traffic because when I listen to some of the controlled transfer discussions, I feel I am listening to generals telling me how much territory is being occupied and they seem to forget where the opposing armies really are.

USRA RECOMMENDATION TO CONGRESS

The result of the Conrail III profile is the basis of our recommendations to the Congress.

We believe in the cost-control study we have found the essence of solving a large part of the Northeast rail system problem.

If you can control the costs, you give management flexibility not only to be competitive but to also deal with future crises and future problems. Once you get control over what appears to be fixed costs, you begin to give management the tools it needs.

USRA recognizes its proposals are going to be very difficult to achieve. First, it requires major legislative changes with all of the plans recommended to you.

They include changes in labor protection. They include changes with regard to commuter service. On this, all the plans agree.

The second set of problems and difficulties that the USRA report raises will require compromises by all of the groups involved. Management will have to make very major savings and reduce its force. Labor must make major concessions on manning tables, on work rules. Other railroads and shippers will be asked to contribute.

I have been told this is not a possible plan but yet the USRA Board is composed of representatives from each of these groups. While the Department of Transportation and Department of Treasury dissented from our recommendation, the representatives of all of those groups voted for our plan and I have to believe that is meaningful.

I believe it is meaningful because I think it says they recognize they are willing to make the kinds of compromises, changes, concessions that are necessary to retain the framework of Conrail.

The question really is, Is it worth the effort for the Government? Is it worth it to try to extract these major concessions from the groups and have an additional Federal commitment of $400 to $600 million? We think so.

I believe additional Federal dollars are going to be necessary under any plan that is before you.

The second reason I think our proposal is most sensible is that it is the most sensible for the economy of the region and the Nation. It is orderly; 40 percent of the Nation's major industry is still in that region.

It avoids major economic dislocation. It provides an incentive to both management and labor to make the compromises that are necessary. If you say the institution is not going to exist, you are going to have deterioration on that property, you will lose revenue and you will lose incentive and you will have people waiting for a period of time probably at least 2 years and in that period the deterioration will cost us far more than the dollars we are talking about.

Most important, I think if we all go down this road, we will shift the burden from the Government where it has solely rested to those who have a major stake in keeping a rail system alive.

To have a chance, several things have to take place. The plan must be front loaded and not back loaded. The difficult decisions must come early. There have to be mile posts which are easily designated and easily recognized along the way. It is the judgment of USRA there should be no additional operating funds under this plan for Conrail beyond fiscal 1982 and no additional capital funds beyond fiscal 1983.

We believe this is the most sensible and, in fact, the least expensive method of proceeding for the Northeast rail system.

Thank you.

Senator ANDREWS. Thank you, Mr. Berger.

Mr. Blanchette.

STATEMENT OF ROBERT W. BLANCHETTE

Mr. BLANCHETTE. Thank you, Mr. Chairman.

Our formal position is lodged with the record of these proceedings. I think it is important to create the environment for these discussions which are about to mature and result in legislative and appropriation decisions.

We are not in an adversary proceeding. I think all of us here at this table, in one way or another, represent public interest, as do you listening to us. I do not think it is a question of who is right or wrong in an adversarial sense, but I think basically we have to look at what is doable, what has been done, and what seems realistic.

CREATION OF CONRAIL

About 5 or 6 years ago people in the same relative positions argued to Congress that Conrail ought to be created and it would with great concessions from labor and great management strives, massive infusions of cash for rehabilitation and goodwill and cooperation from all sources, and by 1981 Conrail would be profitable and viable.

Some of us at the time said we did not think that was the way to go. What has happened in the last 5 years is that Conrail has flunked out. The caper has cost the taxpayers about $7 billion. I agree with Mr. Crane that not all has been bad in that 5-year period. There has been a massive rehabilitation of the line. In fact there has been overrehabilitation in some areas. The lines are in first-rate shape and the service is as Mr. Crane characterizes it. We sit here 5 years later and about to reinvent the same rhetoric, to go forward for one or two more congressional elections, asking for the same kind of concessions that were asked for 5 years ago and frankly have about as much chance of succeeding.

I have thought about this painfully and at great length. I have listened to all the planners and all the sources. I do not propose to say the doctrine of infallibility transfers itself only to the executive branch of Government, but I do want to say we have given the matter prayerful consideration.

It seems to me what we propose is a middle ground. You have on the one hand, the chimera of keeping Conrail in existence, and on the other hand, a dismantling, a dismemberment, a disruption, and dislocation of rail freight service in the Northeast. We think neither of those extremes is worthy of further pursuit.

INTERREGIONAL RAILROADS

What we would like to do is first build on a base that the shippers in the Northeast and the consumers deserve more than additional plans, broken promises, and milestones that will inevitably lead to disaster. We have forming in the railroad industry a new dynamics, dynamics of interregional railroads offering single-line, long-haul service to its shippers. Dynamics that have already proven to be very successful.

The first of these systems that has been built, the CSX system, has not been in operation for a year and is not even fully consolidated. If you look at the last quarter's earnings, they are absolutely sensational. Mr. Crane's alma mater, the Southern Railroad, is planning to form a competing interregional railroad in the Northeast by proposing a merger with the Norfolk & Western.

West of the Mississippi you see further consolidation and strengthening of those rail systems. They, too, in turn, will move out of their regions and they will grow and they will have a dynamics for their shippers and receivers that Conrail in its cocoon in the Northeast will never be able to join and will be in a constant battle of retrenchment and of competitive imbalance. We think it is now the time to try something different for a change rather than forecast, to have Conrail shippers join the rest of the Nation and to participate in the benefits of the railroad dynamics that are going to mark this next decade.

LABOR PROTECTION

In order to do that we agree that certain preliminary changes have to be made. First, the albatross of labor protection under title V has to be removed but not merely removed from Conrail's balance sheet and income statement only to be transferred directly upon the public treasury. That is not a removal. That is a shifting of its burden entirely to the taxpayers. Title V has to be repealed. There has to be substitution—therefore, a severance, one-shot payment to those employees adversely affected.

There is nothing unjust with that, Mr. Chairman. Title V was originally conceived as a mechanism for accommodating those employees who were adversely affected by the creation of Conrail because you took a whole group of bankrupt railroads and put them together and there was going to be some personnel fallout. It was felt that those clerks and those operating employees who were adversely affected by the creation of this new entity should have some kind of protection.

The people that are being protected under title V now are not being protected by the formation of Conrail. They are being protected against the continuing decline of traffic in the Northeast. This has nothing to do with the formation of Conrail. This has to do with an economic reality. They are given as a result of title V benefits completely different and larger than accorded the rest of the American industry.

COMMUTER SERVICE

We agree the onerous commutation service has to be removed from the freight operations and everyone is in accord with that. The local commuter authorities, State and local agencies deserve better than management that is essentially freight-oriented. They deserve a full-time passenger management. There are various ways of accommodating that but I think the three of us here are in accord that divorce is overdue.

TERMINALS

There are along the Northeast, in the Atlantic flank of Conrail, a series of freight terminals whose operations are totally intertwined with the passenger and the commutation service.

There is a schematic in the FRA submission to the Congress which is found in appendix B at page B–4. It is a schematic of the corridor between New York and Washington. You see the densities of the Amtrak trains which are in a grayish hue on the page and the densities of the commutation service which are in white and then the densities of the freight trains.

You can see one of the most dense corridors in the United States if not in the world. Along the right margin you see a series of black dots which are a major freight junction points. While they are not one-on-one related to the terminals, you can see the freight operations connect to the major trunkline arteries through this very heavy commutation passenger and corridor freight service.

We feel those terminals, since they are so intertwined with passenger and commuter operations, may not be attractive to the major trunklines of the United States and for that reason we would propose where they cannot be sold to private enterprise buyers that there would have to be some accommodation funded by the Government so those terminals can be maintained because they are absolutely indispensable to the freight service.

With these preparatory steps made and we are willing to recommend the appropriate fiscal resources to accomplish that and we then say let's move directly to a reintegration of the Northeast with the rest of the country in terms of the rail freight.

SAVINGS AND EFFICIENCIES

I think Mr. Crane put it well. To start the play at the table, to continue Conrail, we have to put down $2.1 billion. If some of these other economies are not achieved, the bill goes up to about $4 billion.

You can whittle away at it with efficiencies and savings, et cetera. Most of those savings and most of those efficiencies were ones that could have been accomplished 5 years ago. They could have been accomplished every year among the last 5 years. One example is settling divisions with the Long Island Railroad. I think I was in law school when the Northeast railroads were first starting to settle their divisions with the Long Island Railroad. The other is destruction of the Delaware & Hudson and the elimination thereby of competition in the areas served by the Delaware & Hudson. That would require the Delaware & Hudson going into bankruptcy. I was in law school when the first railroad bankruptcy in the Northeast started. The last one just came out last year.

We talked about major concessions from labor and management, changes in work rules, cuts in management forces. Those are the same employees and essentially the same managers that were there in 1970 when the Penn Central went bankrupt. Realistically and candidly, to expect these draconian changes to be accomplished, I think it is a disservice to the American public. I think rather than ask railroad workers to agree to the spartan measures contemplated to continue Conrail in existence, why not let them work under the same work rules and conditions as the rest of the American railroad industry by joining with that industry and their differences resolved not by legislature but by the processes of collective bargaining?

In conclusion I will say the objectives set by retaining Conrail after these procrustean efforts that would have to be generated to continue it for another 1, 2, or 3 years. The quest of viability is really quixotic. It is never viable in the sense of American free enterprise. It is only viable in the sense that it does not have to come to Washington any more. It is never a merger candidate. It is never a partner for restructuring. It remains in splendid isolation with its shippers always faced with the declouding issue of is it going to make it, is this benchmark or milestone going to be passed, and if it is not passed, is it going to be liquidated?

I think the proposal of the executive branch which is concurred in not only by the Department of Transportation but by the Department of the Treasury and the Office of Management and Budget restabilizes the situation in the Northeast and tells these shippers and receivers that there is going to be service and we are not going to have benchmarks that are certain to fail as we have in the past. We are going to do everything we can to bring to you the benefits of the free enterprise American railroad system.

I will be pleased to answer your questions.

Senator ANDREWS. Thank you very much. Let me say that the reason we have you all here for the questioning is that we are looking for outright and forthright statements of facts.

We have heard recommendations for Northeast rail service which came in last week. We have a number of other comments and statements.

If I ask a question of one of you and one of you have a different opinion or have something to add, I hope you will add your comments so that we can make sure that later on we do not hear that you have only made half a statement here.

CONRAIL'S GOALS AND OBJECTIVES

Let me start by asking Mr. Crane a rather basic question. What are the present goals and objectives of Conrail? How do they compare with the rationale used to create Conrail in the first place? Have we changed our objectives or are we still marching in the same place?

CONRAIL'S GOALS

Mr. CRANE. I think we have a different set of objectives as far as I am personally concerned. I think Conrail has reached one of the objectives that was originally set for it and that was to restore reliable rail freight transportation service in the territory it serves.

At the time of the bankruptcy various properties including Penn Central had been permitted to be conveyed in such poor condition that it was almost impossible to maintain reliable freight service. Some of the major corridors like the corridor from Crest Line to Chicago had 10-mile-an-hour slow orders over significant portions of that railroad. Obviously freight transit times were very much extended and the shippers in the area were very much concerned.

I can speak for myself by saying cars on Southern that went up to Conrail destinations for unloading took much longer to get back than they do in today's world.

I do think they have accomplished that much. It has been accomplished at a high price admittedly.

The continuing decline in economic activity of the area has hopefully flattened out, based on our revenue forecasts. We do not see any significant further decline although generally everything but coal will continue to go down a little bit over the next 5 years and coal will make up enough difference to keep us flat over that 5-year period.

I think Conrail's big problem now in its goals and objectives is to reduce the size of its physical plant and that includes the number of people required to maintain that plant so that its labor costs and its operating costs are more in line with the revenues it generates.

The one major roadblock that stands in the way above everything else is title V funding. As I am sure you can recognize, a manager if he has to reduce labor costs and is faced on the one hand with reducing the labor but on the other hand with paying the labor for not working, that becomes very counterproductive.

This is the dilemma management finds itself in.

FEDERAL WITHDRAWAL COSTS

Senator ANDREWS. You made a number of reports separately and collectively to the Congress where you outlined three of the long-range planning options and you discussed their impacts.

I would like to explore these options and get your comments on their merits and also the problems.

OPTIONS FOR CONRAIL

The first option would entail no Federal funds beyond fiscal 1981 and recommends some legislative changes be made. The Conrail report speculates that the probable result would be bankruptcy and cessation of services.

Would each of you please respond to this conclusion and identify as best you can the costs associated with total Federal withdrawal beyond the $329 million involved in fiscal 1981 and also identify who would bear each of these costs, loss of service and loss of jobs, labor protection costs, et cetera?

Mr. CRANE. I will try to answer part of that, Mr. Chairman. If Conrail went bankrupt which I feel it would do, probably by the end of 1981 or early into 1982, we have about $100 million in cash which is all the cash we are permitted to have, there is about $155 million additional money available out of the $3.3 billion. That gets us up to $255 million.

If the Congress appropriated another $200 million, that would get us up to $455 million which would be the cash we would have available to run for the balance of this year.

I would expect that would carry us into the end of the year or the first quarter of 1982 and by that time we would run out of cash. When we run out of cash we become bankrupt. At that point in time the 65,000 employees of Conrail, who as I understand it, under the title V protection, would be entitled to a claim on the estate of Conrail. I do not know what Conrail could be liquidated for but I would like to suggest the balance of that liability would perhaps impinge on the Federal Government because of such a social problem and since the average employee makes about $27,500 a year or $28,000, if you multiply that by 65,000 you would get a number which is somewhere around 4 to 5 billion dollars' worth of liability that someone has to pick up.

In addition obviously the bankruptcy of the railroad would be the Northeast and Midwest area which it serves resulting in a complete state of economic disarray because there are many major plants in that area and Bethlehem Steel is an outstanding example of one, and they are solely served by Conrail except for a tiny bit of business coming in from another area and how they would continue to maintain their operations when they are fully dependent on rail transportation, I really cannot conceive.

The same would be true of a large number of General Motors' parts plants, Ford Motor Co. parts plants and assembly plants which are not served by other railroads.

I expect arrangements could be made to provide trackage rights over Conrail's rails to reach those plants. I would suggest it would be a pretty chaotic situation.

I guess the costs could run as low as $4 billion and maybe as high as $9 billion.

Mr. BLANCHETTE. Let me say that we do not subscribe to the no-funding bankruptcy Conrail scenario. While that was one of the alternatives or options the Staggers Act required people to respond to, we think of all the courses of action that is the least desirable in terms of the script of Mr. Crane.

I will vary that script only marginally. The USRA study shows that in a relatively chaotic no-funding scenario, other lines would be used and relatively minor segments of Conrail would be obtained and acquired so that they would be extensions of other railroad lines and of that script, some 80 percent——

Mr. BERGER. Seventy-five.

Mr. BLANCHETTE. Seventy-five percent of the service could be reached. Therefore, 75 percent of the service would be protected. The employee dislocations and the abandonments would be massive. We think while that is possible if there is no change, we have said the executive branch does not recommend funding the status quo so the script is realistic if the status quo remains in being.

I think the timetable would probably be a little longer than that described by Mr. Crane because railroads do not really ever run out of cash. They just defer things. I would assume Conrail's people would now do some of the same things which were done when I was on the Board. You engage in a variety of cash conservation measures which prevent a cataclysm from occurring. I do not really think there would be chaos. You would not just run out a normal program and expect it to drop dead on April 1. You would defer and engage in those cash conservation measures for which all railroads are famous at one point or another.

On title V, I think it is important to note that the obligation of title V is not an obligation against the United States of America. In my opinion it would not be held to be such. If the employees insisted on their title V obligations which are against Conrail, then they will own Conrail and they will own the $400 million a year deficits that Conrail generates. I do not think a bankruptcy proceeding would be necessary. I, for one, would recommend to Secretary Lewis that he transfer the stock directly over to the employees without the requirements of a formal bankruptcy proceeding and they would own the railroad.

That is why I do not think the employees themselves want the status quo to be maintained. Those title V obligations just put the ownership of the railroad into the employees' hands; it would be the world's largest ESOP program. I do not think it is a realistic scenario and I do not think we need be driven there.

TITLE V REQUIREMENT

Senator ANDREWS. We have two different opinions right now. One is title V is an obligation of Conrail and Mr. Crane says it is the obligation of the U.S. Government.

Mr. BLANCHETTE. I do not think anybody says it is an obligation of the U.S. Government. The law does not say it. I would take that case on a contingency fee.

Mr. BERGER. The problem with title V is it affects all the rest of our discussions in the following way. Whichever scenario you look at and I hope we get a chance to come back and talk about them, unless you resolve the title V issue, whether you believe there is a possibility of continuing Conrail or you believe there is a real world possibility of having other rail systems come into this part of the country, I do not think that is possible unless the title V issue is resolved.

It has to be resolved, since we are talking about national rail unions, in a way where you have some sense that you have really closed that issue.

I do not think anybody assumes there is clearly a no-funding scenario for the Federal Government, not only in terms of the labor costs, but if you look at traffic shifts. We have looked at the question of traffic in terms of where it is on the system. We have not yet looked at the costs, and there will be costs involved, in shifting that traffic.

If you go back in history and you look at the problems of trying to run a rail system where you are in a negative cash flow position, we are all very nice about how we describe that and all the marvelous cash conservation techniques. It is really cannibalism, and you start eating yourself up alive and that may be OK except if you have 40 percent of the American industry in the area, you begin to have other kinds of effects which may show up on either the Conrail or the Government balance sheet directly but will begin to show up in other ways.

I think that will not be allowed to happen by the Government. I do not think it can be allowed to happen.

I think there are a variety of costs. What we are trying to do is balance the costs wherever they show up for some of the options available.

MOTIVATION FOR UNIONS

Senator ANDREWS. Mr. Blanchette, if we announced the immediate sale of Conrail before title V has been resolved, what motivation would remain for the labor unions to cooperate in finding a solution to the expensive labor protection issues?

Can we reasonably expect there would not be an immediate strike?

Mr. BLANCHETTE. One never knows what people will do. There need not be a strike. Mr. Crane, Mr. Berger, and I sit here and tell you there is not a recommendation in the crowd that says to keep title V. Everybody knows title V has to be repealed. There is not anyone except for the advocacy in a public forum that will tell you sitting down in a quiet corner of the room that title V can be continued.

Senator ANDREWS. You also recognize title V has to be dealt with before any of these other steps are taken.

RAIL LABOR CONCESSIONS

Mr. BLANCHETTE. Absolutely. If you announced the railroad was for sale but title V was or was not going to be repealed, you would have zero offers to purchase. I agree with Mr. Crane completely in his opening remarks. There is no sense even asking railroads to express their interest in these lines, an interest which is very significantly portrayed by diagrams in the FRA report, it is in their economic self-interest to acquire these lines. With title V on the books or with the commutation service tacked onto the freight operations, it is an exercise in futility to advertise the property for bids. We have all talked to the same railroad presidents and they have said under these conditions of labor protection and under these conditions of operating commuter service, nobody is going to buy.

CHANGES NEEDED FOR PROFITABILITY

Senator ANDREWS. Mr. Crane, on page 14–11 of your report, option A shows a net income of $2.2 million in 1982 which rises, you say, to $511 million in 1986 when considered with external changes.

Please identify the conditions under which it is possible to imagine that legislative changes and the succession of Federal dollars would lead to Conrail showing a profit of this magnitude.

Mr. CRANE. The profit goes up, Mr. Chairman, by reason of the fact that we hope to obtain an aggressive labor settlement and by an aggressive labor settlement what we are identifying is the current round of railroad labor negotiations. With the contract having to end April 1, we would request the people of Conrail to accept the 1-year moratorium on any wage increase. We anticipate it would yield us about $200 million a year.

We have identified the fact that we will be able to better market under the Staggers Act and we would pick up about $100 million there and we identified the $50 million of the additional Delaware & Hudson revenues, and also as a part of that is the elimination of title V, the ability to reduce the total labor force by about 11,000 people which would get our labor ratio down to that commensurate with the other railroads.

Of those 11,000 people we anticipate some 4,600 of them which are extra firemen and extra brakemen, which are apart from title V so it is not a matter of protection there but the fact they have the right to stay on our seniority roster and the right to require us to run our trains with fewer crews than the average railroads in the United States.

We would reduce them and another 6,400, mainly those would come out of our clerical, maintenance-of-way or maintenance-of-equipment employees.

The combination of those reductions would produce a sufficient reduction in our operating costs, to reduce the income figures which we show.

BUYERS FOR CONRAIL

Senator ANDREWS. One of the assumptions given particularly from Mr. Blanchette's plans is that there are railroads eager to buy Conrail. You just pointed out none have come forward because of title V.

Do you have any assurances you can give the committee that there will be these eager buyers stepping forward once we have resolved this question?

Mr. BLANCHETTE. Let me say about eagerness—that eagerness has to be induced. These railroads are very content right now to have Conrail sitting there enjoying an unfavorable proportion of the rates and divisions vis-a-vis these other railroads. They are getting divisions of the revenues which in every instance favor these railroads. The difference is made up by the Federal Government. I am sure that gives a lot of these railroads a warm and comfortable feeling. I would certainly propose, if Conrail remains as an entity over the long term, that legislation would be introduced to alter those divisions, because they cannot stay out of this party.

Mr. Crane's first scenario which was no funding had a fairly large figure in there for proportional rates and I would propose those proportional rate figures be plugged into all the other scenarios so that these railroads would know the choice of continuing Conrail is not the present divisional setup but one that is dramatically and substantially different.

Senator ANDREWS. In other words you are saying closing Conrail down would be one of the greatest inducements for the other railroads to come in and pick it up.

Mr. BLANCHETTE. Of course it would. If you look at the diagrams in our charts 1.1 and 1.2 at pages 1.6 and 1.7, you can see the fantastic interchange that the South and West enjoys. You are talking about a massive part of the profits of the railroad industry. In 1979 just the 10 largest connecting carriers exchanged $3.5 billion in revenues of which they got $2 billion of the share and Conrail got $1.371 billion of the shares. Those divisions would change under the status quo.

Mr. Chairman, I know from personal experience that in 1973 and 1974 as a trustee of Penn Central along with the then president of the railroad, we visited every major railroad in the United States. We were told let's assume Conrail is not formed and everyone said if my competitor is going to be there you can be sure I will be putting in a bid. They would. They have to have these interchanges. They cannot possibly exist without these services.

Senator ANDREWS. You have said quite bluntly to shut her down and bang, you have the offers the next day. Let's follow in this same expression of candor, the consideration to the timing involved to avoid putting Conrail into bankruptcy which would complicate this transfer.

It is going to be a very delicate thing to make the difference between romance and something totally different because if you shut it down and it is bankrupt you are not going to have these people come pick up the pieces and you are going to have a real mess for a period of some months if not years.

How do you avoid that?

Mr. BLANCHETTE. If I said shut it down and put it up for sale, I misspoke. That is not what I contemplate.

ENCOURAGING CONRAIL BUYERS

Senator ANDREWS. I asked what was the best way of getting buyers in, if it would be to shut it down and you said absolutely.

Mr. BLANCHETTE. Let me tell you what the best way is. First is to prepare the patient——

Senator ANDREWS. I had the simple solution a minute ago and now you are going to add some whereases.

Mr. BLANCHETTE. You do not have to say shut it down and put it in bankruptcy. First these preparatory steps that everyone acknowledges need to be taken have to be put into legislation. There cannot be any ifs or buts about labor protection or commutation service.

Second, Congress can say we are not going to continue Conrail and you are going to be given an opportunity to bid and to buy. That will bring these people in. Perhaps heels will be dragging in some instances but there are a number of competitive railroads out there. One of them is going to want to come in.

Unless you have a conspiracy of silence among these railroads, then I think the forces of the marketplace, negotiating skills, and a clear determination by the Congress that we are not continuing the status quo will bring these railroads in. It is in their interest to come in. We ought to be given a chance because everything else has been given a chance and has failed.

REQUIREMENTS FOR SOLUTION

Senator ANDREWS. Mr. Berger seems to be bursting with potential information.

Mr. BERGER. I am not sure I am bursting. I think the difference between Mr. Blanchette and myself is that we are each a product of our own experience in dealing with similar kinds of situations. I ought to preface it by saying I was director of the Emergency Financial Control Board for New York City. I remember when we started they told us we would never get wage deferrals from labor and we would never be able to lay off 60,000 people and we could not raise billions of dollars.

We did all of it because there was underlying it a political will and a political backing that allowed it to take place.

I totally agree with Mr. Blanchette that if there is going to be a difference between now and 6 years ago, there has to be a different political environment. The prerequisites are prerequisites that all of us agree on.

The question is: If you have the prerequisites in place, why should you not move immediately for controlled transfer and why should you make the effort to try to reduce the costs on the rail system?

I think that is really the heart of the difference here. I believe even if you could do the first preliminary steps, you still would have to and should make an effort to bring Conrail's costs into line.

I do not believe that becomes a mandate to continue the rail system. What I do believe is that is the right process. It is not the cart before the horse. It is the right process to produce in a place 1 year from now or 2 years from now a railroad which either can stand on its own or becomes an attractive purchasing object for one or a variety of purchasers.

If you do look at that traffic breakdown Mr. Blanchette alluded to you see that in fact there is an enormous amount of traffic interchange but it is spread out among a variety of carriers. It is, therefore, in a sense not any single firm's interest. It may be a multiple-group interest to come in as purchasers.

I think the disruption will cost you money. It will not just happen that when the cash runs out there will be a smooth transition.

It is true the system is now in better shape and it is true you will not need the major funding for example the Penn Central needed during the times when the trustees were trying to keep it afloat.

There will be pressure for funding to keep it going and there will be pressures from major industry.

OTHER RAILROADS' INTEREST

We have all talked to the same people in the rail industry. I think there are two things that ought to be kept in mind concerning the interest of other railroads.

There are at the present at least three systems, the Burlington, CSX, the NWS, all of which are in the midst of major mergers. There are major administrative problems, headaches, and nightmares.

They need time. They need time to straighten out their own internal management system. Time will put some of them in a much better position to come into the Northeast and be able to absorb rationally as part of their own functioning rail systems some of this territory.

I think it is important that we do not create a cherrypick situation. It is the very thing all of us are concerned about whereby you leave significant portions of traffic and significant portions of the country unserved.

The concern during the interim period is what happens to the rail system, and to its revenues as a result of decisions being made in the private sector. Major corporations cannot afford disruption and dislocation. They have to know how they are going to move their goods.

CONTROLLED TRANSFER OF CONRAIL

Speculators do fine in periods of upheaval but the basic industries of the United States are fundamentally not speculators and they have to know what their transportation network is going to look like.

I am not sure that in the end any of us are going to be far apart. I think it is clear our proposal suggests the tough decisions have to be made up front. If they are not made up front then I will be a lot closer to Mr. Blanchette than I would be otherwise.

Senator ANDREWS. It is good that we have you and Mr. Blanchette separated by Mr. Crane, who now seems to want to add something.

Mr. CRANE. Mr. Chairman, Mr. Blanchette said he is going to have a number of buyers to acquire Conrail. I think Conrail might be an attractive acquisition candidate if all of the things we talk about in our report are achieved but I would like to suggest if those things are achieved, Conrail might very well be able to make it on its own.

If you do not solve the title V problem and if you do not eliminate the commuter problem, Conrail is not going to be attractive to anyone. Even if you solve the title V problem, you will still have to do something to reduce Conrail's labor intensivity. If you do not do that, those railroads that are coming in to enter the marketplaces of Conrail will also have to acquire Conrail's workers in one manner or another.

I would like to suggest to you that since each of those railroads generally has a more effective labor ratio than we do, until some solution of that is found, those railroads are not going to be prepared to jump in and seize those marketplaces because there is simply not enough revenue out of those marketplaces, as attractive as they are, to support the costs required to serve them.

In the FRA report they talk about the high terminal costs on Conrail and they talk about forming terminal companies which they would operate and price on a cost-recovery basis. I applaud that concept. I would like to achieve that concept on Conrail today. If I could operate that railroad on a cost-recovery basis, I would not need the subsidy I am presently receiving from the Federal Government.

I would also like to suggest that if you do it on that basis, you then unilaterally raise the prices that Conrail charges for its services without the consent of the other railroads and that is what Conrail attempted to achieve in the Staggers Act but failed to do because of the opposition of the balance of the railroads in the country.

OPTION 2

Senator ANDREWS. If the Chessie, the Burlington, and the Northern as Mr. Berger says are so consumed with indigestion from having gobbled up too many other lines in the last few years that they cannot look at adding on this Conrail venture, you might have your time to see what you can do. Who knows?

That leads us to option 2. Option 2 provides for a total of $2.2 billion in additional Federal funding with few changes in Conrail's existing structure. It appears to be a totally undesirable option because Federal dollars continue to be contributed to a venture which shows a loss every year through 1986.

Is this essentially an accurate assessment on my part? Are there any favorable facts about option 2 which any of you might like to bring to the committee's attention?

[No response.]

Senator ANDREWS. Let the record show silence remains supreme.

Mr. CRANE. I will answer, Mr. Chairman, by saying you are correct in your assumption. If we leave the status quo as it is and we continue all these bad things we have talked about and we have to have a lot more money from the Federal Government, we are no better off 5 years from now than we were then.

Senator ANDREWS. We are trying to make sure we have a record that is complete.

Option 3 requires additional Federal funding of $342 million through 1985 of which $167 million requires new authorization. This presumes implementation of the additional external changes which have been mentioned.

Mr. Crane, for each external change that is not implemented, there is an increase in the need for Federal funding directly corresponding to the amount of savings the change represented. Is that not essentially correct?

Mr. CRANE. That is correct, sir.

Senator ANDREWS. For example, if the Long Island divisions issue is not resolved this year you are going to have need of $40 million beyond your requested $342 million under this option.

Mr. CRANE. That is correct, sir.

Senator ANDREWS. If you are not able to implement any of the external changes except a satisfactory labor settlement, what would be your total request?

Mr. CRANE. If we got none of the things we were asking for in that last list except the satisfactory labor settlement, the number would be over the period 1982–86 about $660 million.

Senator ANDREWS. Would you still recommend Conrail continue to operate at this new cost?

Mr. CRANE. I think that would still be the low-cost solution.

OTHER SAVINGS POSSIBLE

Mr. BERGER. Mr. Chairman, our recommendations are slightly different from Conrail and our approach is slightly different from Conrail's. Our recommendation suggests an additional funding of between $400 and $600 million. That includes the $300 million presently under discussion. We are talking about additional authorizations of someplace between $100 and $300 million.

Let me point out there are a variety of approaches not considered in our numbers which are still open to Conrail in terms of cost savings. We are focusing mostly on cost savings although we recognize there are certain revenue increases that are possible.

We have a list which includes some substantial changes. We have not totally quantified them but we will for the Congress within the next month. They include reductions in management personnel and in some of the main line plant presently on the Conrail property.

They include improvements in car utilization; which frankly, we at first did not believe Conrail could achieve and we brought in outside consultants who said it was possible.

It includes a variety of things having to do with internal management structure in terms of chains of command, cost allocation, and training people in the system to understand that costs are important.

Those are the things management can do. In addition in terms of labor savings, we have suggested a variety of things that could be done.

Frankly our hope would be in labor savings and labor negotiations that what could come out of these negotiations rather than a wage deferral are some much more basic changes in the structure of the contract which would give much longer term savings.

We have concentrated more on the cost side in our analysis. That is really where our recommendations are centered.

Mr. BLANCHETTE. I think this has been a very significant piece of conversation. The USRA proposal, if Conrail fails to get agreement from other parties, the outside efficiencies, puts the bill at $1.520 billion. Conrail puts the bill at $2.139 billion. Conrail also fails to achieve the changes within management's control and there is some slight difference between these two gentlemen. The end result is the caper will have cost the taxpayers $3.722 billion in USRA's proposal, $3.884 billion under Conrail's, exclusive of labor protection and exclusive of the differences between these two gentlemen and the DOT.

In revenue projections, we are $1 billion lower than Conrail which in turn is $1 billion lower than USRA. You are talking megabucks. I want to note what Mr. Crane said and I commend him for his candor. One of the reasons we differ from the proposal to continue Conrail and then have benchmarks or milestones where we would go to hopefully a controlled and orderly transfer if it did not reach it, is we do not think those benchmarks are going to be very hard benchmarks.

I notice Mr. Crane saying in all candor that if he got some of it but not all of it and did not get the Delaware & Hudson or Long Island divisions, he would still recommend Conrail be continued. I can see if we go with Conrail we are going to have this kind of conversation every year. We made part of it but we did not make all of it. The chief executive officer of Conrail will say, I still recommend this as the low-cost solution and others will agree or disagree in varying degrees.

It is just as clear as it can be that these milestones will not be reached and the management of Conrail will say we still think we ought to keep going because we are getting there. We are going to reach a point where we can start taping our speeches and just change the dates and the numbers because the rhetoric will be the same. We can do the whole thing electronically. We can schedule a hearing before the Appropriations Committees every April 7 and the tapes can be played and little fillers can be put in about what milestones were not reached and what dollars more are needed. The poetry will remain the same.

Senator ANDREWS. We have done that for a good many years.

Mr. BLANCHETTE. We have done it since 1970.

Senator ANDREWS. We have a little different road show in town now. We have different people on that side of the witness table and different people sitting up here. That is why we have the three of you appearing at one time so we can get some of these things put together.

It is the impression that people get as to how things are functioning. I thought one of the things I wanted to do was get as complete a record as I could so we could look through it and hopefully find some way of working this out.

I have been intrigued with the change in management and the better car utilization and the rest. Driving in this morning I happened to go under a bridge over which a Conrail locomotive was pulling five or six freight cars, one of which was the old Great Northern billy goat. I wonder where you have stored that car for the last 5 or 6 years. It sure has not gotten home to the home line or the billy goat would have been painted.

I remember one of my good friends and colleagues, Joe McDade from Pennsylvania who represents the district around Scranton, he had a metal fabricator up there. They built some huge steel mill. The element was supposed to be shipped from Scranton down to New Orleans. It took two cars and 2 months later it still had not reached the destination. This was before any of you came onboard.

Joe was frantically trying to locate it for his constituent. After it had been lost for a couple of months he flew into Washington in his private plane and looked down and there in Conrail's yards was this mammoth piece of steel. It had been there all the time.

Things have changed. You are doing better. When we talk about all these local contributions and State contributions and when we talk about Government contributions, we have not mentioned State and local contributions.

CONTRIBUTIONS BY STATES

You anticipate $250 million is going to be paid by States served by Conrail in this scenario we just went through. What do you mean by "contributions?" Are these contributions going to require legislation?

Mr. CRANE. I do not think they will require legislation out of the Congress. They will require some cooperation from the States. An example of the type of contribution we are talking about is bridges over Conrail track. Conrail, more than most railroads, has many bridges that span its tracks and is required to maintain those bridges at its expense, rather than at the expense of the Department of Transportation or the State in which it operates.

There have been cases in recent years where the States have slowly begun to take over the maintenance of these bridges. We think this is an area where contributions can be made. The balance would be in the area of taxes with respect to real estate taxes and other types of franchise taxes which the company continues to pay despite the fact that it is not in an income earning situation.

Senator ANDREWS. What assurances do you have that the $250 million will be forthcoming?

Mr. CRANE. We did not pluck the $250 million figure out of the air. Our legislative people have, or I should say our tax people, identified specific areas and came up with numbers that would produce the $250 million figure.

I have some experts in back of me but they are not here at the table. I would be glad to provide the committee with information with respect to that in detail because we do have that.

[The information follows:]

CONSOLIDATED RAIL CORPORATION

	Gross Receipts Taxes		Sales and Use Taxes		Property Taxes		Potential Savings		
	'80 Pay.	Cur. Sav. '81	'80 Pay.	Cur. Sav. '80 & '81	'80 Pay.	Cur. Sav. '80 & '81	Mich.* Approach	Exempt Rt.	Exempt Stock
Conn.	$ -	$2,300,000	$ 128,659	$ -	$ 16,711	$ -	$ -	$ -	$ -
Del.	-	-	-	-	29,549	200,000	17,700	-	-
D.C.	-	-	7,618	-	157,198	-	53,700	32,600	20,000
Ill.	-	-	344,484	Note 2)	389,385	800,000	389,400	205,900	-
Ind.	381,690	-	161,579	Note 2)	2,830,282	-	2,830,300	515,500	1,981,200
Ken.	-	-	-	-	24,383	-	21,400	6,600	12,000
Md.	608,895	1,000,000**	184,254	Note 2)	1,129,548	-	64,400	70,000	734,200
Mass.	-	-	390,913	-	1,281,986	6,000,000	1,152,900	-	-
Mich.	-	-	662,446	Note 2)	136,568	2,000,000	-	-	-
N.J.	-	-	387,583	Note 2)	3,572,284	10,000,000	2,156,100	-	-
N.Y.	1,441,658	-	3,553,640	-	11,895,233	15,000,000	8,212,200	1,859,000	-
Ohio	2,993,622	-	324,448	Note 2)	6,118,664	-	6,118,700	1,706,300	3,977,100
Pa.	8,698,913	10,000,000**	1,840,065	Note 2)	2,924,071	6,000,000	-	-	-
R.I.	17,842	-	13,425	-	552,828	-	3,700	351,800	-
Va.	-	-	-	-	8,836	11,000	-	6,300	3,500
W. Va.	187,228	-	-	-	41,648	-	41,600	8,800	27,100
Misc. Sta.	-	-	-	-	327	-	-	-	-
Canada	-	-	270,599	-	591,568	-	-	-	-
	$14,329,848	$13,300,000	$8,269,713	$30 - $50M	$31,701,064	$40,011,000	$21,062,000	$4,762,800	$6,755,100

Notes:

1) Beginning in 1981, gross receipts tax will be reduced to approximately $3 million plus, confined to Ohio, New York, Indiana and West Virginia. These states provide no current credit program similar to Pennsylvania and Connecticut.
2) Sales & Use Taxes: a) The State of Illinois, Maryland and Michigan currently provide a rolling stock exemption;
   b) The State of Indiana, New Jersey, Ohio, Pennsylvania and West Virginia currently provide a total Public Utility exemption.

Exemptions for sales and use taxes are estimated to be $30 to $50 million on an annual basis.

* Based on 1980 DATS expenditures.
** 1981 is the first year for this saving.

SEPARATION PAYMENTS

Senator ANDREWS. If you could it would be most helpful. In addition to title V there is the issue of separation payments. What are the specifics of your proposal and how extensively must the payments be used?

Mr. CRANE. We have had discussions with the unions. There is an excellent description of the situation which we face in the FRA report itself with respect to the extra engineers and the extra firemen and additional brakemen which Conrail is burdened with as a result of Conrail and the railroads that formed it having operated in the States of New York, Indiana, and Ohio which had full-crew laws.

SEVERANCE FUND

As a result at the time those properties were conveyed to us together with those employees, there were many more firemen still remaining on the seniority rosters and many more additional brakemen remaining on the seniority rosters than there were on the average railroads because most railroads including my own had taken steps to thin those rosters down commensurate with their needs prior to that.

The railroads that were taken over could not do that because the full-crew laws were in effect. They have since been repealed, but only attrition will take care of those people. As a result the average crew cost for each train we run in many areas on our railroad is substantially higher than the average crew cost could be by reason of the fact that we have two extra employees on the crew.

The only way we know that could be taken care of is by some type of separation agreement. That buy-out and separation agreement would never come to pass in my judgment if the people who occupy those jobs recognize that the Congress is going to provide continued and indefinite funding for Conrail or have a belief they could negotiate an agreement of that type with the railroad which is going to buy Conrail. The only way they could be convinced they ought to take that type of settlement which was done on the Milwaukee is to convince them that if they do not take it, then there is an end to everything and it is to their better position to be willing to accept a buy-out.

Senator ANDREWS. What do you anticipate the cost for this type of a separation payment to be in fiscal 1982 and beyond?

Mr. CRANE. We are predicating our costs on the fact that the buy-out figure would be somewhere around the area of $25,000 per man and there are some 4,600 people to be bought out. We hope all of that would be achieved in the year of 1982.

Senator ANDREWS. You have some feeling that is a possibility.

Mr. CRANE. Our labor relations people have talked with the union representatives. The union representatives tell us they expect to oppose it but it is our judgment if their employees are convinced there are not going to be any jobs anyway for them, they will find the immediate cash-in-hand buy-out is the best option they have.

This was demonstrated at the time the Milwaukee was restructured. Some 2,000 employees were separated from the Milwaukee out of some 6,000 by that media.

Senator ANDREWS. Earlier as I recall all three of you agreed commuter service is something that should not be connected with Conrail's freight responsibility.

What discussions have you had with the five States and transit authorities that would be affected by such a change in operators? Is there any agreement among those served by the commuter lines?

Mr. CRANE. I do not know whether you can say there is any agreement. Mr. Berger may be more competent to address that question since he serves as a director of one of those commuter lines. I participated in the hearing in New York City before Congressman Florio where Mr. Gambiccini, the secretary of transportation for the State of New Jersey presented to the committee an elaborate study that the State of New Jersey had made which came to the conclusion that it probably in the long run would be a requirement of the States to take over the commuter operation.

He suggested the formation of a joint commuter authority to do that. One way the matter could be suggested or solved as far as Conrail is concerned is simply to change the law. At the time the 3R Act was passed, the States started to acquire the tracks over which they operate. They own in most cases the cars and the locomotives. The law said they had the right to call on Conrail as their contractor to operate the trains but they have the option of going to another contractor at any time they want.

Unfortunately, from Conrail's standpoint, they do not have the option of disengaging themselves as a contractor except at the option of the State and operating authority.

Senator ANDREWS. Would a wholly owned subsidiary of Conrail be a viable option?

Mr. CRANE. We do not think that would be so. We would prefer not to see that option selected by reason of the fact we do not know how you would separate that subsidiary from the body and our problem with the commuter agencies, we think, it is going to become worse rather than better by reason of the intention of the present administration to reduce the amount of funding to be provided to the various commuter agencies so there will be even a greater shortfall once they get out of the fare box and subsidies which they receive.

A good example is the fact that by receivables from the commuter agencies having increased from about $260 million to about $280 million so far this year which indicates they are getting longer and longer in their payback.

Senator ANDREWS. With Amtrak track involved, what obstacles do you see with the operation of the commuter service? You do have Amtrak track in this as well, don't you?

Mr. CRANE. That is correct, sir. They have the right to operate over Amtrak's tracks and they operate those trains over Amtrak's tracks and they recompense Amtrak a fee for the use of their track.

Senator ANDREWS. What obstacles do you see to its operation for commuter service?

Mr. CRANE. To Amtrak operating a commuter service?

Senator Andrews. Yes.

Mr. Crane. I do not see any particular problem with that myself if it could be responsive to the needs of the local commuter people. Obviously Amtrak will require additional funding to cover the losses which presently Conrail is subsidizing rather indirectly and to the tune of about $10 to $20 million a year.

Senator Andrews. You are talking about farm outs. We are trying to explore all the possibilities of farm outs.

Mr. Crane. Correct.

VARYING COMMUTER NEEDS

Mr. Berger. Mr. Chairman, I think we all agree from Conrail's point of view that commuter service has to be stripped away. USRA did some very extensive consultation with the agencies involved, the five commuter agencies. We had long talks and long conversations with them.

The different States and the different agencies have very different problems. Those that are south of New York and on the corridor really have much more complicated problems. The recommendation of USRA was that there had to be an agency to which commuter service could be transferred, that the States and localities had to have an option to choose someone else in Conrail's place.

We examined two options. One is Amtrak if the board of Amtrak is changed to make it sensitive to commuter service. The second would be a separate Federal corporation or agency.

It is clear that the different systems have different goals and are in different positions. For example, our study showed the MTA which serves New York and the Connecticut DOT, is in a far better position, if it so chooses, to take over and run the service on its own.

Services in New Jersey and services in the Pennsylvania region are far less able at this point to do that.

The problem as commuters see it, is that they are now a stepchild. They are a stepchild in a very dangerous way from their point of view. I think not only is it the possibility of a Federal Government reduction in operating subsidies that is a concern to them but they see very serious and major future capital costs as a problem.

They see themselves as a stepchild because, for example, when Mr. Crane or his predecessor sits down at the negotiating table to talk to labor about the contract, you have 60,000 employees on the freight side and 11,000 employees on the passenger side and $4.5 billion of freight revenue and $500 million of commuter revenue. Obviously they recognize that whatever negotiations take place the passenger service issue is going to get kind of thrown on the table for bargaining.

They are looking for the capacity to negotiate terms that are relevant for passenger service and to be able to call upon some outside agency to provide them with that which they cannot yet provide for themselves.

I think the goal should be to make sure commuter service does not pass from being a stepchild of one operation to a stepchild of another operation and we think under our recommendations that is possible to achieve.

USING AMTRAK RIGHT-OF-WAY

Senator ANDREWS. That is true. Can you describe, Mr. Crane, your relationship in any negotiations that you have conducted with Amtrak regarding use of Amtrak's right-of-way? Do you have any differences over the cost of using Amtrak's tracks?

Mr. CRANE. Yes; we have a difference of opinion there. Of course that difference of opinion and the excessive charges which we think we are paying is involved in some of the savings that we think we need to achieve if we are going to be able to make Conrail break even.

Senator ANDREWS. Would you provide for the record the specifics?

Mr. CRANE. Yes; the basic problem is, it is necessary for us to operate some of our freight trains over the Northeast corridor. The Northeast corridor is now owned by Amtrak. It will always be necessary to operate some freight trains over portions of that corridor by reasons of the fact there are major industrial concentrations in the chemical coast of New Jersey and Delaware.

[The information follows:]

DISPUTES AMONG CONRAIL, AMTRAK AND THE COMMUTER AGENCIES

For the past four years Conrail, Amtrak, and the commuter agencies have been involved in a dispute concerning Amtrak charges for commuter traffic on the Northeast Corridor. Unfortunately, the main loser in this conflict is Conrail, whose cash costs for commuter use of the Corridor exceeded its reimbursements from the commuter authorities by up to $65 million during the 1976-1980 period. The following excerpts are highlights of an October 27, 1980, submission that Conrail made to the Secretary of Transportation for his assistance in resolving the dispute.

> Amtrak has contended that all Corridor users, including commuter agencies, must share in the total cost of operating and maintaining the Corridor. It bases this contention upon language contained in the Rail Passenger Service Act to the effect that it is entitled to recover costs on an "equitable and fair basis" and a provision in the 4R Act which directs that use of the Corridor is to be effected by a compensatory contract. Amtrak has interpreted these provisions to mean that the commuter agencies must pay their directly attributable costs, an allocated share of the variable portion of common costs, and, in most categories of expense, an allocated share of the fixed portion of common costs. It is this latter allocation, dealing with fixed common costs, that gives rise to the dispute between the parties.

With respect to those services provided by Conrail, the agencies are basically required under RSPO standards to pay to Conrail the avoidable costs, less revenues, of providing the service. Avoidable costs are those costs which would not be incurred except for the existence of a particular service.

The nature of the dispute is straightforward: Amtrak proposed to assign to the commuter service costs which Amtrak incurs regardless of the level of commuter operations on the Northeast Corridor.

> The result of the disagreement is [not complex]: Conrail is being caught in the middle in a dispute between Amtrak and the commuter agencies. Conrail, which supposedly is to operate the commuter services without cross-subsidizing them with freight revenues, has billed the commuter agencies approximately $122 million for Northeast Corridor commuter costs for the period April 1976 through May 1980, on the basis of interim cost sharing methodologies. For that same period, Conrail paid Amtrak $160 million for Corridor commuter costs in accordance with interim revenue sharing agreements.
>
> Based on limited cost sharing studies, Conrail believes that Northeast Corridor commuter costs could be as low as $95 million. Based primarily on Amtrak's cost packages, Amtrak apparently contends that Northeast Corridor commuter costs are approximately $146 million for the period. That is, even if Amtrak's alleged figure of $146 million was correct, Conrail has overpaid Amtrak $14 million.

If Conrail's estimate of $95 million is correct, then Amtrak was overpaid $65 million. The difference among the actual Corridor commuter costs, the amounts billed by Conrail to the agencies, and the amounts paid by Conrail to Amtrak represents a flow of cash through Conrail to the benefit of either Amtrak or the commuter agencies. (See the table below.)

Table 9-A-1

Range of Conrail's Overpayments to Amtrak for Commuter Services
April 1976-May 1980
(Dollars in Millions)

Cost Methodology	Estimated Commuter Costs	To Amtrak For Commuter Services	Overpayment to Amtrak
RSPO Avoidable *	$ 95	$ 160	$ 65
Conrail's Bills ** to Commuter Agencies	122	160	38
Amtrak Cost Package	146	160	14

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* Estimated based on a limited study conducted jointly by Conrail, Amtrak, and New Jersey DOT, using the avoidable cost methodology which Conrail has negotiated with New Jersey and SEPTA.

** Bills through 9/79 were based on an interim cost method. Effective 10/79, Conrail has billed the commuter agencies on the basis of the Amtrak Cost Package.

The resolution of the problem is clearly a matter of public policy involving Federal funding policies toward commuter service and Amtrak. However, Conrail should not be caught in the middle of the problem nor should it become a conduit for funding of these passenger services.

This complex problem is currently before the Secretary of Transportation for his review and proposed resolution. Unless favorably settled, Conrail will suffer a cumulative cash drain approximating $120 million during the 1982-1986 period.

In summary, Conrail has been forced into a position of having to honor dissimilar interim agreements whereby Conrail's cash flow is used to pay Amtrak's disputed billings. Those particular charges have been protested by the commuter authorities as being in excess of RSPO standards and thus the commuter authorities have unilaterally disclaimed liability. In theory, no matter which methodology prevails in final resolution, Conrail should be entitled to full payment. Regardless how comforting this assessment might be, it is important to realize that Amtrak's arrears, as well as the remaining net accounts receivable from Amtrak and the commuter authorities, all of which aggregate $123.4 million at December 31, 1980, could have been carried only by a firm with access to funding such as the Federal Government has provided to Conrail.

PENALTY TO FREIGHT ON THE NORTHEAST CORRIDOR

Conrail must make at least limited use of Amtrak's Northeast Corridor for freight service. Some of its customers are located on the Corridor, and the capacity of alternate routes is limited. Amtrak's charges to Conrail for trackage rights on the Corridor are far higher than those charged by any other U. S. railroad. Thus, contrary to law, Amtrak is indirectly forcing Conrail to help subsidize the construction and operation of its high-speed passenger line.

Amtrak exercised its congressionally mandated option to purchase and Conrail was required to sell the Northeast Corridor to Amtrak on April 1, 1976. Conrail retained an easement to operate rail freight service on the Corridor. Amtrak and Conrail negotiated the Northeast Corridor Freight Operating Agreement to govern Conrail freight operations.

Because that agreement was negotiated just prior to April 1, 1976, there was insufficient time for the two parties to agree upon the methodology for sharing the Corridor costs. In lieu of such an agreement, it was mutually decided that Amtrak would charge Conrail 21¢ per car mile, loaded or empty, on an interim basis. This rate reflected only an attempt to equalize cash flows between the two corporations pending agreement on a permanent cost sharing method and was based, in part, upon a full allocation of 1975 Penn Central cost data. A final agreement on cost sharing was to supersede retroactively the interim payment schedule.

Amtrak did not furnish any cost data to Conrail until June 1978, approximately two years after the "interim" 21¢ rate was intended to have been replaced by the permanent rate. According to Amtrak's "Cost Package", the solely freight-related costs plus the allocation of both variable and fixed common Corridor costs to freight service, as applied to the 166 million car miles operated by Conrail on the Corridor for the year ending September 30, 1977, produced a rate of 25.6¢ per freight car mile.

In March 1979, Conrail proposed that freight operations be charged approximately 12¢ per car mile (in 1977 dollars). The proposal of 12¢ per car mile represented Conrail's system-average cost for providing over its own lines the functions Amtrak performs on the Corridor.

Amtrak's most recent proposal, offered in June 1980, includes two components: a fixed annual cost to Conrail of $21 million, regardless of the volume of Conrail's use of the Corridor, as a payment for the availability of the Corridor route; and an incremental charge of 14.85¢ per car mile. The Amtrak proposal both in form and magnitude, would undermine Conrail's efforts to become self-sustaining. It would provide Conrail with no options for making rational business decisions regarding the level of Corridor freight operations that can economically be sustained.

The difference between these proposals can be seen in the following table:

Table 9-B-1

Northeast Corridor Freight Operating Charges
(1980 Dollars)
(130 million freight car miles annually)

Proposal	Terms	Annual Charge ($ Millions)
Amtrak	$21 million + 14.85¢ per car mile	$40.3
Conrail	14¢ per car mile + 1.5¢ per car mile for electric traction maintenance*	20.2
	Difference	$20.1

While Conrail's chief concern involves the achievement of a long-term solution for future use of the Corridor, it must be remembered that the difference between the two concepts of payment also represents a substantial difference with regard to the charges for operations during the period from April 1976 through May 1980.

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* The 1.5¢ per car mile charge for electric traction maintenance would be applied only to electric-powered freight car miles. This table assumes that all Northeast Corridor freight trains are hauled by electric locomotives.

Table 9-B-2

Penalty for Freight Use of the Corridor
(Dollars and Car Miles in Millions)

	1976*	1977	1978	1979	1980	Total
Car Miles	118.0	164.8	154.5	153.9	118.4	709.6
Payments to Amtrak	$25.1	$34.1	$36.4	$36.3	$36.3	$168.2
Conrail Position **	12.4	18.6	19.6	21.1	17.8	89.5
Payments in Excess of Conrail Position	$12.7	$15.5	$16.8	$15.2	$18.5	$ 78.7

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* Nine months.

** Reflects a car mile rate, in 1980 dollars deflated, composed of a basic 14.0¢ plus 1.5¢ for electric traction maintenance costs.

The unresolved controversy on the charges for freight operations over the Corridor involves approximately $78.7 million for the past period. In addition, the dispute for the prospective period is projected to grow at a rate of nearly $20 million per year.

Moreover, Conrail is incurring significant costs in its freight operations as a result of the NEC operational constraints. Freight trains are given the lowest dispatching priority and are shunted aside in favor of passenger trains. This results in:

- higher labor expense: Conrail has to replace crews that cannot complete their Corridor trips within the limits of Federal hours of service law. In some cases, freight trains must wait more than 12 hours simply to enter the Corridor.
- higher equipment expense: Delays incurred cause Conrail to pay higher car rentals to other railroads, and to achieve lower utilization of its own equipment.
- lost business: Delays result in service degradation and hence lost revenues.

To become financially self-sufficient, Conrail cannot afford to have higher than competitive operating costs. Therefore, disputes such as these must be resolved in a fashion that will allow Conrail's operating costs to approximate those of other railroads.

AMTRAK FEE FOR SERVICE

Our problem is, generally speaking, when one railroad permits another railroad to operate over its tracks, it charges them a fee for that service. At today's levels that fee is somewhere around the level of 14 cents a car-mile.

In the rush to get Conrail organized and combined with Amtrak, Conrail entered into an agreement with Amtrak which was temporary with the understanding that it would be renegotiated but that agreement has never been renegotiated because Amtrak has been unwilling to do anything about it.

What has happened is Amtrak has arbitrarily set for us a basis on which we pay something like 34.5 cents a car-mile for each freight-mile we operate over the corridor which, as you can see, is something over twice as much as the normal price.

They argue they should have the right to make this additional charge by reason of the fact they were mandated by Congress to build and operate a 120-mile-an-hour passenger railroad in the corridor and it costs more money to build and operate a 120-mile-an-hour railroad despite the fact I only need to run my freight trains over that railroad at 50 miles an hour.

CONRAIL'S USE OF NORTHEAST CORRIDOR

They currently continue to collect that money from us. My predecessor on Conrail had written the Secretary of Transportation asking him to attempt to arbitrate this situation. Both Mr. Boyd and I have since written the current Secretary outlining all the details of the situation.

It is unfortunate as far as Conrail is concerned because in effect all we are doing is taking part of the subsidy which the Federal Government passes to us to operate Conrail and transferring it over to Amtrak.

I do not deny Amtrak's costs may be higher. I guess I suggest the subsidies should be directly given to them rather than be passed through me.

Senator ANDREWS. The reason the committee is intrigued with this is because if Amtrak is getting a windfall off your hide over and above the normal rate of moving a freight car a mile on well-maintained track, Amtrak is then getting some backdoor funding which changes its cost-benefit figures for certain parts of its operations.

It may be well making the Northeast corridor look a lot better than it is vis-a-vis some of the longer Western lines. You can understand why we might be intrigued.

Mr. CRANE. I can indeed.

Senator ANDREWS. We would appreciate your expanding for the record on what these particular costs are and what you sense is the annual additional boondoggle that is moving toward Amtrak and we will find out from Amtrak where they are putting that; whether they are putting it over the whole system or just into that Northeast corridor.

That is one of the great things about this kind of hearing. You find out all kinds of interesting things.

Mr. BLANCHETTE. In terms of the commutation service, I agree with Mr. Berger that these commuter authorities are stepchildren but we do not want to adopt them on the Federal Government's budget.

I would be very reluctant to recommend a Federal corporation, yet another Federal corporation in this scenario. It would be a point of indifference to us if the commuter authorities wanted to band together and get the 750-milligram bottle of Bufferin rather than the 650-milligram bottle they are purchasing now.

I do think Connecticut and New York probably could go it alone as to the service east of the Hudson and why they would want to share the problems of SEPTA in Philadelphia is not readily apparent to me. If they do, then a Northeast corridor corporation from the States and interstate compact could be formed. My own view is they probably ought to all do their own thing. If they cannot do that, then I would agree with Mr. Crane that a subsidiary of Conrail is not the answer and probably the commuter authority of last resort should be Amtrak.

COMMUTER OPERATING SUBSIDIES

Senator ANDREWS. Since you are the spokesman for the administration essentially, let me run this by you. Apart from the question of who runs the commuter service, there is the question of operating subsidies. The administration is proposing to this subcommittee the elimination of operating subsidies for mass transit funded through UMTA. Why should we stop subsidizing commuters who ride mass transit provided by local authorities throughout the country and still continue to subsidize commuters in the Northeast who ride Conrail?

Mr. BLANCHETTE. I do not think we should.

Senator ANDREWS. If we put it in Amtrak or spin it out and put it in some other, are we not still subsidizing?

Mr. BLANCHETTE. I would not propose the use of Amtrak as a carrier of last resort be a disguised form of subsidies for these commuters. If that is what it would lead to, I would be against it.

Senator ANDREWS. What you are proposing is this commuter function be spun out of Conrail so it is not a drag on Conrail and be put in a position where it fends for itself.

Mr. BLANCHETTE. Exactly.

Senator ANDREWS. Since each component of your request is so heavily dependent upon congressional action, I am surprised we have not yet received a legislative proposal from any of you, when do you expect to submit legislation?

Mr. BLANCHETTE. In the case of the administration, we have obviously been under a mandate passed last year by the Congress to come in with our final recommendations on May 1. The red book you have before you is a compression of 1 month from the statutory timetable of the Staggers Act which I am glad we were able to do but we are 6 weeks behind ourselves and we realize the budget process does not permit the timetables of the Staggers Act be observed.

For that reason we have not tendered legislation as of this date. I would hope within the next 2 weeks we will be able to give you legislative proposals that would implement these recommendations.

Senator ANDREWS. These appropriation bills have to be moving out of the committee on May 15 with a timetable of getting them through the Senate sometime in June and certainly before the July 4 recess.

I do not know how we are going to make that kind of timetable with this particular subcommittee's appropriation dependent as heavily as they are on legislative changes. There is no way we can sort through these budget requests and fund these programs unless we know where we are going with the legislative changes.

We are under the restrictions of the Budget Act which in effect tells the Appropriations Committee exactly how many dollars we have to work with and those dollars are broken down into individual subcommittees.

If we miss because of a legislative hurdle that has not been passed, a $200 to $400 million item, it is going to play hob with the rest of our functions.

I would hope you could take the story back that we need these. I talked to Secretary Lewis this morning. I would hope you would impress on him the importance of getting these legislative suggestions and changes up.

SUBMITTED QUESTIONS

I have a series of questions of my own for the record and Senator Chiles has a series of questions he would like answered as well for the record.

I appreciate your being here this morning. I think we have made a rather complete and certainly interesting record that we will have an interesting time looking over.

Mr. BERGER. Mr. Chairman, institutionally, I did not comment after Mr. Blanchette's remarks about no further funding on the operating side for commuter authorities. Personally, I have a different position which I would like the record to show so I can go back to New York.

Senator ANDREWS. I would assume you would have had a different opinion but I thought since the administration was following that, I wanted to make sure we had that part of this hearing firmly tied down.

I appreciate your comments.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

PENN CENTRAL SETTLEMENT

Senator Andrews: Provide for the record a narrative account of the settlement reached on the valuation of the Penn Central. What remains to be done to completely close out this case?

Response: On November 16, 1980, after several years of negotiation, the Government Parties and the Penn Central Corporation entered into a Settlement Agreement establishing the terms under which the Penn Central and certain affiliated transferors would settle and release the United States from claims arising from the transfer of rail properties to Conrail. The settlement disposed of essentially all claims of the Penn Central group and the Government Parties against each other in these valuation proceedings.

The parties to the Agreement stipulated to an aggregate net liquidation value ("NLV") for all transferred rail properties of $1.46 billion. The range of value claimed by the Government and Penn Central, respectively, had been between roughly $500 million and $6 billion in 1976 dollars. The Agreement provided that at the closing, which was held on January 15, 1981, the Penn Central Transferors would receive compensation in the form of (a) Certificates of Value issued by USRA and guaranteed by the Secretary of Transportation, bearing April 1, 1976 principal amounts equal to the stipulated amounts of NLV; (b) 22,507,106 shares of Conrail Series B Preferred Stock and 21,507,297 shares of Conrail Common Stock; and (c) the cash compensation deposited by certain profitable railroads in exchange for rail properties conveyed to them. Because the Certificates of Value bore interest at the statutory rate of 8 percent compounded annually, the Penn Central's Certificate was redeemed for slightly more than $2.1 billion at the settlement closing. The value of other benefits ("VOB") and the compensable unconstitutional erosion ("CUE") were both stipulated to be zero. The settlement agreement stipulated that the settlement amount was fair and equitable, but not more than was required as a constitutional minimum. In addition, there were specific stipulations with respect to the fairness and equity of the conveyances of rail properties to profitable railroads in exchange for other compensation and with respect to property value attributable to agreements under Section 213 or 215 of the Rail Act. Following a hearing, the Special Court approved the settlement Agreement on December 4, 1980. The settlement was subsequently consummated at the January 15, 1981 closing by the redemption of the Certificates of Value, in cash, and the transfer by Penn Central of the Conrail securities to the Secretary of Transportation. Nothing further remains to be done to close out the Penn Central valuation proceeding claims. However, the claims of the other major estates are still being litigated.

CLAIMS NOT SETTLED

Senator Andrews: Provide a description of the claims outstanding against the remaining bankrupt estates which have not yet been settled. When do you anticipate these estates to be finally settled?

Response: Settlement of the Penn Central claims accounted for roughly 80% of the assets conveyed to Conrail pursuant to the 3R Act. In addition, the Government Parties settled with the Lehigh and

Hudson River Railway on April 1, 1981 for a sum of $2.4 million plus interest. Nevertheless, over $1 billion in outstanding claims remain for the six major nonsettling bankrupt railroads: Erie Lackawanna, Reading, Central Railroad of New Jersey, Lehigh Valley, Lehigh and New England, and the Ann Arbor. For all of these estates the Government is faced with claims for value based on the contention that the bulk of the passenger and freight lines would have remained in rail use. Depending on the outcome of the rail use phase of the case, and subject to further direction from the Court, there still remains the significant task of determining the scrap value of the thousands of miles of rail lines, locomotives, rolling stock, materials and supplies, shop machinery and other tangible assets conveyed by the remaining transferors. While it is anticipated that the Penn Central settlement might be a precursor to further settlement, it is impossible to predict when, if ever, any such settlement agreements might be reached with the remaining estates. Following the announcement of the Penn Central settlement, USRA notified the remaining estates of its willingness to initiate serious settlement negotiations. Preliminary discussions are currently underway with several estates. In the meantime, the Government Parties will continue to prepare thoroughly for trial of the remaining claims, both to minimize the risk of an excessive recovery by the other estates and to enhance chances of a favorable settlement.

INCREASES REQUESTED

Senator Andrews: What is the reason for the increase in your litigation budget for nonrail use of $900,000 and in computer support of $66,000?

Response: With the anticipated completion of the rail use phase of the case in FY'81, the bulk of USRA's resources will be directed toward prosecution of the nonrail use litigation. The increase in the non-rail use budget, which is more than offset by the substantial reduction in projected rail use expenditures, will be required almost entirely to obtain increased services from private law firms and for the preparation of valuation and other data to be used in the litigation. This will permit USRA to meet what is expected to be a vigouous time schedule to be established by the Special Court requiring the initiation of formal evidentiary proceedings in the fall and with trial of the nonrail use case continuing throughout the remainder of the fiscal year.

With respect to the litigation budget for computer support, in the past the major purpose for USRA's computer capability was to process the voluminous data required for the monitoring and evaluation of Conrail. In 1982 it is expected that this work will decrease, as will overall computer system needs, resulting in an overall decrease from 1981 of $471 thousand to a total 1982 computer support need of $1,550 thousand. However, the share of computer support required to provide service for the litigation function will increase from about 28% of total effort in 1980 and 1981 to about 40% in 1982. These changes result in the estimated increased cost for computer support in the 1982 budget request for litigation of $66 thousand.

TOP 100 SHIPPERS

Senator Andrews: Provide for the record a list of the top 100 shippers and include the daily volume of Conrail services used by each. If possible, identify which of these shippers would have difficulty finding an alternate method of shipping to Conrail service.

Response: A list of the 100 largest Conrail shippers follows: However, the volume information contained on Bills of Lading and Waybill documents are considered by the ICC, the railroad industry, and by the shipping public to be most confidential. These data could be valuable intelligence in the hands of a firm's competitors and are protected from disclosure by the ICC. Therefore, USRA respectfully requests to be relieved of the obligation to provide volume data for Conrail's largest shippers.

If Conrail were to cease operations immediately it would be difficult not only for the top 100 shippers but also for many of the railroads smaller shippers to find alternate means for handling their freight at least in the short run. This would be particularly true if Conrail service were to cease suddenly: that is, if the shippers had little warning of cessation of service they would have little time to prepare alternative shipping arrangements.

Shippers of "dry freight" - that is, manufactured goods in packages - are likely to have a relatively easier time than shippers of dense goods that normally move in bulk like construction materials, crude minerals, coal, and the like. Trucking to handle the former goods is likely to be readily available in the absence of rail service while the latter goods might only be handled by truck or water transporters after construction of appropriate transfer facilities.

Utility & Coal Companies

Cleveland Electric& Illuminating
Consumers Power
Delaware Power & Light
Detroit Edison
Eastern Gas & Fuel Associates
Indianapolis Power & Light
Metropolitan Edison
New York Electric & Gas
Niagara Mohawk Power
Ontario Hydro
Peabody Coal
Pennsylvania Power & Light
Philadelphia Electric
Potomac Electric & Power
Public Service & Electric

Automotive

American Motors
Budd Company
Chrysler Corporation
Ford Motor Company
General Motors

Forwarders/Etc.

American President Lines
GENEX
Hub City Terminals
ITOFCA
Keystone Terminals
Trailer Train
Transway International
United Parcel Service

Steel

Armco Steel
Bethlehem Steel
Colt Industries
Inland Steel
Jones & Laughlin Steel
National Steel
Republic Steel
U.S. Steel Corporation
Wheeling Pittsburgh Steel

Grain & Foods

Agway
Anheuser Busch
Archer Daniels Midland
Cargill Inc.
Carnation Company
Central Soya
CPC International
Farmers Export
General Foods
General Mills
Indiana Farm Bureau
International Multifoods
Kellogg
Landmark
Miller Brewing
Pillsbury Company
Quaker Oats
Ralston Purina
A.E. Staley
Standard Brands
Tidewater Grain

Chemicals

Allied Chemical
Dow Chemical
E. I. DuPont
FMC Corporation
Koppers
Monsanto
Olin Corporation
Pfizer
Stauffer Chemical
Union Carbide

Petroleum & Products

Continental Oil
Exxon
Mobil Oil
Occidental Petroleum

Lumber - Paper Products

Boise Cascade
Champion International
Georgia Pacific
Hammermill Paper
International Paper Company
Kimberly Clark
St. Regis Paper Company
Weyerhaeuser
Scott Paper

All Other

Alcoa
American Can
Canadian Industries
Diamond Shamrock
Eastman Kodak
Firestone Tire & Rubber
Goodyear Tire & Rubber
General Electric
International Minerals & Chemicals
International Salt
International Telephone & Telegraph
Martin Marietta
Owens-Illinois
PPG Industries
Procter & Gamble
Reynolds Metals
Sears Roebuck
Tenneco
U.S. Government

CONRAIL'S REQUIREMENTS

Senator Andrews: Conrail is suggesting that an additional $342 million in Federal funds will be needed over the next five years. What assurance is there that this expenditure will achieve its expected results?

Response: There is no absolute assurance that Conrail will achieve viability in the next five years. However, USRA's analysis, as described in its April Report, shows that Conrail has the ability to become viable by 1985, if it gains control of its costs. Performance mileposts should be established to measure progress toward cost and margin improvements over a 24-month period. The key ingredients to a viable Conrail that must be realized are (1) aggressive use of its new econonic flexibility; (2) tight management of its cost structure; and (3) significant concessions by labor, providing an early reduction in costs. Detailed descriptions of the elements of these improvements are contained in USRA's April Report. USRA's estimate for total additional funding is approximately $200 million higher than Conrail's.

Senator Andrews: Conrail had expected to begin building gondolas this July. What is the status of this project? How will it effect Conrail operations?

Response: Conrail's plans were to start up a gondola construction line at the Hollidaysburg, Pennsylvania car shop in July 1981. Scheduling of men and materials has proceeded; however, external financing has not been arranged. High interest rates and uncertainty about Conrail's future structure are major problems in finding suitable private funding. Conrail has informed the Association that these problems will not be resolved in time to commence the program on schedule. Since this equipment is projected for use in protecting 1982 traffic levels in commodities primarily associated with the primary iron and steel industry, and economic recovery of sufficient magnitude accompanied by a car shortage could cause Conrail to lose some traffic.

Senator Andrews: Provide your recommendations of Conrail's Capital needs over the next four years in terms of permanent facilities, track, locomotives, and railcars. Please state any assumptions (regarding traffic, the economy, funding, etc.) on which your recommendations are based.

Response: USRA's 85 III analysis is the basis for recommended capital programs in the four years, 1982-1985. The capital needs for this period are projected at $3,546 million in current dollars. Following is a breakdown by type of program.

	$ Millions
Track Rehabilitation	$1,743
Additional & Improvements	825
Equipment - Internal Funding	266
Equipment - Capital Leases	712
Total	$3,546

Conrail's projected capital expenditures for its Case C total $3,460* million for the four years, somewhat less than the USRA total. Conrail's track rehabilitation and A&I are slightly lower than USRA while equipment related costs are somewhat higher.

Assumptions -- The regional economy is expected to grow but at a rate slower than the national economy. The system size will be reduced by 1985, about 25% from 1979 levels. Conrail will attain improvement in equipment utilization both freight car and locomotive. Government funding for operating losses should not extend beyond 1982, with funding for capital improvement ending in fiscal 1983.

CONRAIL TRACK STATUS

Senator Andrews: Describe the general conditions of Conrail's track. Please describe the work that has been done to upgrade Conrail track in 1980. Which lines have received the most attention? What work remains for FY'82?

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*Excludes external funding for A&I work.

Response: Track rehabilitation carried out since conveyance was largely directed to heavier density main lines (over 5 MGT). The problem of deferred ties has been generally corrected but deferred rail remains as a concern on some of these lines.

In future years, a normal level of program work should maintain the present tie condition but in some areas the existing rail could become a problem, particularly where 100-ton equipment is utilized.

Program work in many yards and lower density lines has been below normal requirements. Deferral of rail and tie replacements remains on much of this trackage today. As an example, in 1980 Conrail reported over 4,000 wide-gage derailments in these areas. This type of derailment is usually caused by the rails moving on defective ties allowing the equipment wheels to drop to the roadbed. While rationalization will result in retirement of some of this trackage in the future, deferred maintenance will continue on these types of track that remain in the system.

During 1980, Conrail spent approximately $220 million on track rehabilitation. This expenditure included about 300 track miles of rail, 1.4 million ties, and 8,700 pass miles of surfacing. Over 75 percent of this effort was on trackage associated with 5 MGT and heavier lines.

LABOR PROTECTION

Senator Andrews: It has been estimated that up to $9.7 billion in labor protection payments might be involved if Conrail lines are transferred to private railroads and it has been proposed that the government assume this liability. Could you explain, in detail, the basis for this estimate?

Response: The $9.7 billion labor protection liability is the Conrail estimate of the cost associated with the liquidation of the Conrail system. This scenario assumes that 8,900 route miles would be abandoned and 40,000 employees made surplus. It assumes that 8,800 route miles and 25,000 employees would be acquired by other carriers. The labor protection costs were computed assuming Title V provisions for currently protected Conrail employees and assuming the impositions of New York Dock Conditions for those employees not covered by Title V.

Senator Andrews: Please describe the specific changes you would recommend in Title V as a means of bringing under control the Federal Government's role in labor protection payments.

Response: USRA's labor protection analysis concluded that Conrail cannot bear the burden of Title V expense if it is to become a self-sustaining railroad. Moreover, the overall cost of the Title V program could be reduced substantially if the program's benefits were brought into line with those provided to employees of other industries. One way to accomplish a reduction in costs would be to amend Title V to provide Conrail employees with protection similar to that which was provided employees of the bankrupt Milwaukee Road under the Milwaukee Railroad Restructuring Act of 1979. The major provisions of that Act included:

o For an employee deprived of employment prior to April 1, 1984, 80 percent of the employee's average monthly straight-time salary, not to be increased by subsequent wage increases, up to three years. An employee dismissed after April 1, 1984 would receive compensation up to eight months.

- A lump-sum separation payment up to $25,000.
- Job training up to $3,000.

Conrail labor protection costs could be reduced even further if less generous changes were made in Title V. For purposes of analysis, USRA calculated the costs of labor protection based on conditions imposed by the ICC in a 1972 railroad abandonment case. The major provisions of this program, designated by USRA as New Protective Conditions ("NPC"), include:

- For an employee with less than five years' service a lump-sum payment of $5,000.
- For an employee with five to ten years' service, a lump-sum payment of $10,000.
- For an employee with ten or more years' service, a lump-sum payment of $20,000.
- No monthly displacement allowance.

The cost differences in the foregoing labor protection programs are dramatic. For example, assuming the improved Conrail described by USRA in its April Report (the 85 III analysis), labor protection costs through 1985 would be about $1.9 billion under Title V, $533 million under the Milwaukee conditions, and $94 million under the New Protective Conditions.

Senator Andrews: What is your estimate of the amount of money which could be used by Conrail before the close of 1981 for separation payments in which both the person and the position were terminated? Please indicate the number of positions which could be eliminated and the recommended amount per position.

Response: Conrail has identified the employees and jobs which would need to be terminated in order to realize the full savings from the Crew Consist and Fireman Manning Agreements.

If funds were made available to Conrail in 1981, the railroad believes it could reduce 1,300 firemen and 3,300 trainmen at a cost of $115 million ($25,000/employee). In addition, $10 million would be used to transfer 1,000 employees, primarily firemen, from regions where they are surplus to areas that have a need for trained engine service employees.

USRA agrees with the proposals for manpower reduction made in Conrail's March 15 Labor Report. However, as of April 10, 1981, Conrail has not reached an agreement with the labor organizations which would allow jobs to be terminated along with employees. Further delay in reaching such agreement will most likely reduce the 1981 impact of such a program.

TERMINATION OF USRA

Senator Andrews: If USRA were to go out of business on September 30, 1981, what is your recommendation as to where the ligigation function should be transferred? What arrangements have been made in this regard?

Response: The USRA Board as well as the Justice Department took the position a year ago that it would not be desirable to transfer USRA litigation functions. We do not have any plans underway to accomplish such a transfer and to the best of our knowledge, there has been no change in the position of the Justice Department.

Senator Andrews: Please describe the plans which have been made to transfer the nonlitigation functions of USRA to FRA. When do you anticipate these functions to be totally assumed by FRA?

Response: No specific plans have been prepared for the transfer of non-litigation functions from USRA to FRA. The Association assumes that the timing of such a transfer would coincide with resolution of the major rail service issues that exist in the Northeast. It is also possible that rather than transfer, the functions would simply be terminated and no continued monitoring of Conrail would be necessary.

TERMINATION OF CONRAIL

Senator Andrews: If funding for Conrail was stopped at the end of FY'81, how would that alter your funding needs? What role would you play in a controlled transfer of Conrail to other railroads? What would be your corresponding administrative costs?

Response: (a) The funds requested for Conrail as a 1981 supplemental are expected to last into calendar year 1982. Beyond that time we assume that some Conrail monitoring will be necessary in order to make sure that the Government's interests are protected even though new purchases of Conrail securities would not be possible. We do not foresee any substantial alternation of our funding needs on the assumption that no funds would be appropriated beyond the 1981 supplemental funds now requested. (b) With the passage of the 3R Act in 1974, USRA was entrusted with the task of reorganizing the moribund bankrupt rail lines of the Northeast quadrant of the United States. This included development of data for profitable railroads in the region and, eventually, negotiating dispositions of assets to those railroads. In the ensuing valuation litigation, USRA has developed perhaps the foremost expertise in the country on valuation of railroad assets. In addition, USRA currently employs a technical staff with more actual railroad operating experience than any other government entity. Moreover, this staff possesses a wealth of expertise regarding the disposition candidates that puts it in an excellent position to pursue negotiations at a rapid pace. While Conrail has much of the expertise of USRA, it could not move as rapidly in the disposition process since it would be seeking to maximize its revenue return, rather than seeking to effect transfer of the greatest miles of rail line as rapidly as possible. Similarly, no other government entity can claim a Board of Directors which contains all of the parties in interest who would need to be heard in order to effect a just disposition process. (c) Funds which we have requested for FY 1982 would be sufficient to carry out any controlled transfer role that is likely to be assigned to USRA.

PROTECTING GOVERNMENT INTEREST

Senator Andrews: If Conrail lines are to be transferred to private railroads, how will the government's interest be protected? What portion of the government's investment could we expect to be returned.

Response: If certain Conrail line segments were acquired by private railroads, much, if not all of the government's investment in the railroad would be lost forever. For example, the government will never recapture certain grants made to Conrail's predecessors in order to keep them operating until conveyance date. It will never recapture the funds expended on labor protection or Conrail's operating costs. In addition, there is virtually no likelihood that the $2.1 billion paid to the Penn Central in settlement of the valuation case can ever be returned. Conrail has estimated that about $500 to $900 million could be recaptured through sale of discrete line segments which may have some earnings value, assuming certain impediments such as labor protection cost responsibility are eliminated, and through sale of the assets for scrap value.

IMPACT ON NATIONAL DEFENSE

Senator Andrews: If Conrail were to stop all of its operations, what would be the impact on national defense?

Response: Conrail now serves 32 military installations. The effect on these installations of a cessation of Conrail service would depend on the extent to which other railroads would acquire Conrail lines. In addition, Conrail serves major ports which may have significant strategic importance from a defense point of view in the future. Again, the effect on national defense would depend on whether those ports would be served by other railroads if Conrail ceased operating.

IMPLEMENTATION ASSESSMENT

Senator Andrews: Please provide a detailed assessment of the probability of successfully implementing each of the external changes submitted by Conrail.

Response: There are several external changes that must be implemented within a short time period if a viable Conrail is to emerge. Conrail must be relieved of passenger service responsibility and labor protection constraints. It must aggressively utilize the pricing opportunities provided by the Staggers Rail Act. It must achieve internal productivity improvements and it must alter its fundamental cost-revenue relationship through the implementation of work rule changes or wage freezes and deferrals. Congress has within its power the ability to assist Conrail in achieving its goals on the passenger service and labor protection issues, and USRA believes these matters will be successfully addressed. Similarly, the management team presently in place at Conrail has the capability to achieve the requisite revenue goals and manage the railroad at the levels projected. It is somewhat more difficult, however, to assess the willingness of Conrail's labor unions to negotiate the productivity improvements that are a sine qua non to Conrail's survival. Representatives of railroad labor have appeared before House and Senate subcommittees in recent weeks and have stated their willingness to sit down and discuss these matters with the railroad. Clearly, this is a hopeful first sign. These negotiations must commence immediately and must result in a labor cost saving to Conrail of not less than $225 million in 1979 dollars not later than early 1982. The leadership of the rail unions are aware that as many as 45,000 jobs could be lost if the Conrail is unsuccessful. It is the duty of this leadership, with the full cooperation of Conrail management, to forcefully communicate this message to the employees who will be asked to make the sacrifices. Management must show leadership in this regard and accept similar sacrifices. With the cooperation of these parties, combined with a clear message that the federal government is prepared to dissolve the railroad in the event these goals are not met, USRA believes Conrail has a reasonable chance of success.

QUESTIONS SUBMITTED BY SENATOR CHILES

CONRAIL CONTINUATION BENEFITS

Senator Chiles: All parties involved, USRA, FRA, Conrail and others, agree that at least three basic things need to be done if Conrail is to become a profitable operation that no longer requires Federal subsidies: reduction in labor costs and freedom from labor protection payment obligations, elimination of commuter service responsibilities, and system rationalization. All parties also seem to agree that these steps must be taken as a precondition for Conrail discontinuation and controlled transfer or to create a viable Conrail.

In USRA's April 1981 report "Conrail At The Crossroads" it is stated that there may be little difference in funding costs between breaking up Conrail and attaining a viable railroad but that Conrail continuation offers more benefits. Specifically, what benefits accrue to the Federal Government under the Conrail continuation option?

Response: USRA believes that its preferred option, the continuation of Conrail for a two year period in which it attempts to attain viability, will allow significant benefits to accrue to the federal government from an orderly solution to such problems as labor protection, work rule changes, and plant reductions. It will enable the construction of a solid foundation on which to either continue Conrail or embark upon a controlled transfer program. Additionally, it will minimize the disruption which would inevitably result from a precipitous implementation of controlled transfer. Given the current state of the economy and the attendant budgetary problems which face the federal government, a course which minimizes disruption would seem advisable. For example, it would seem unwise to add to the burdens of an already struggling auto industry by placing its transportation support in jeopardy.

Senator Chiles: What benefit (from continuing Conrail) accrues to other parties? Who are they and what are the benefits?

Response: Improving Conrail will cause the fewest adverse effects on other railroads, organized labor, shippers, states, and local communities. If Conrail is able to obtain viability, then all of these entities will benefit. Moreover, Federal funding will be first reduced, and then eliminated. At the same time, continuing Conrail for the two year period recommended by USRA should allow all concerned parties enough time to plan whatever changes may be feasible. That period will also permit fuller participation by interested parties, thus enhancing the likelihood of wide acceptance of any ultimate course of action.

MANPOWER REDUCTION PROGRAM

Senator Chiles: Under the Staggers Act manpower reduction program $25 million is requested for 1981 and $50 million is requested for 1982. Are these funds requested to implement the amendment to Title V recommended by the Administration on page III-45 of the Budget Appendix? If not, please describe the manpower reduction program and the specific benefits, mechanisms and criteria to be used to reduce manpower.

Response: These funds are requested to implement the amendment to Title V recommended by the Administration on page III-45 of the Budget Appendix.

The manpower reduction program recommended by Conrail in its March 15 Labor Report would be implemented through the payment of $25,000 severance per employee. The current proposals under the Staggers Act would translate into the following reductions for the two years.

Calculator Year	No. of Positions	Estimated Cost
1981	1000	$25 million
1982	2000	$50 million

Conrail estimates that the following total reductions could occur:

Position	Number of Employees	Cost of Severance (Millions)
Firemen	1,300	$ 32.5
Trainmen	3,300	82.5
Total	4,600	$115.0

TITLE V PAYMENTS

Senator Chiles: An additional $60 million has been requested for 1981 Title V payments. Please provide for the record a table similar to the one found on page 5 of USRA's budget justification document that shows the authorization and appropriation history of Title V payments.

TITLE V
(In Millions)

Year	Authorization	Fiscal Year Appropriation	RRB Outlays
1974	$250.0	$ --	$ --
1975	--	--	--
1976	--	47.6[a]	23.1
1977	--	65.0	60.2
1978	--	93.5	70.1
1979	--	43.9	71.0
1980	235.0	61.6	72.3
1981	--	7.5	7.0[b]

[a] Includes $10.0 million in the transition quarter, July-September, 1976, when the U.S. changed fiscal years.

[b] The RRB also has certifications from carriers (received through April 16) totalling $37.2 million which it is unable to reimburse pending further appropriations.

Senator Chiles: Would it be more efficient to have FRA make these payments directly to Conrail instead of going through the Railroad Retirement Board? Why should two agencies be involved in this appropriation payment process?

Response: It would not be more efficient for FRA to make Title V payments directly to Conrail instead of going through the Railroad Retirement Board. The Board has an established staff and adequate procedures for reviewing Conrail requests for reimbursement of funds which they have paid out in benefits. FRA's role is to estimate future funding needs. If they were also to be responsible for payments to requesting railroads, they would have to acquire an administrative staff and set up procedures which the Railroad Retirement Board already has. In addition, Conrail is not the only recipient of Title V funds. Amtrak as well as other railroads receiving property under the 3R Act also have employees who are protected under Title V.

NEW LOANS BY USRA

Senator Chiles: USRA has off-budget loan authority. What is the dollar amount of the new loans expected to be made in FY 1982? For what purpose are these loans to be made? How do the loans made to assist in the restructuring of bankrupt railroads differ in purpose from the Section 505 and 511 loans and loan guarantees made by FRA?

Response: The Association expects to make approximately $3.6 million of off-budget loans in 1982, under the provisions of Section 211(h) of the 3-R Act. The purpose of these loans is the payment of certain preconveyance obligations of the railroads that were predecessors to Conrail. As agent for these bankrupt estates, Conrail is authorized to collect outstanding accounts and pay claims arising from operations prior to the conveyance of properties of the predecessor railroads to Conrail on April 1, 1976. As liabilities exceed available assets, Conrail is eligible to borrow from the loan fund. This loan program assisted in the restructuring of the Northeastern bankrupts into Conrail, by guaranteeing that government funds would be available to pay certain key obligations of the predecessor railroads (to employees, shippers, interline railroads and injury claimants), even though most of their operating assets were to be transferred to Conrail. If this program had not been established, many of these creditors would have ceased shipping or routing over the predecessor railroads whenever possible. This would have left the railroad operation in a much poorer condition at the point when Conrail assumed control. This program is limited to this one set of railroad bankruptcies.

The basic purpose of the FRA's Section 505 preference share program and Section 511 loan guarantee program is to fund the rehabilitation or acquisition of operating assets for those railroads (both bankrupt and solvent) which cannot secure such funding on economical terms in the private sector. Certain of these financings have enabled bankrupt railroads to sustain operations over a core route. However, lending such assistance to the restructuring of bankrupt railroads is an incidental rather than a basic purpose of these programs. Nevertheless, certain Section 505 funds have been earmarked for financing purchases of portions of the Rock Island and Milwaukee Railroads by non-railroad entities who wish to operate these lines.

CONTROLLED TRANSFER

Senator Chiles: What specifically is meant by the term "controlled transfer"? Please describe a controlled transfer scenario and the role of Conrail, the private railroads, the Department and others would play under a controlled transfer process. How long would such a process take?

Response: Controlled transfer is meant to signify an orderly transfer of rail properties over time in a manner intended to assure a smooth transition of rail service in the Northeast region. In the event it is determined that Conrail is not likely to achieve viability, other railroads would be requested to analyze Conrail's lines and traffic base in order to ascertain which, if any, properties they would like to acquire. In 1975, USRA performed the role of orchestrating these negotiations with private railroads and, based on its superior knowledge of Conrail's operations, it is probably in the best position to do so today. Conrail would obviously have to participate actively by way of making relevant data available to the parties, and providing opportunities for on-site inspection of facilities. State and local governments, as well as shippers, would all be involved as potential purchasers. In addition, the Department of Transportation would be a participant, particularly with respect to making funds available under Sections 505 and 511 of the 4R Act of 1976. The ICC would be consulted with respect to issues involving the effect on competition.

It is difficult to imagine a controlled transfer process that could be accomplished in less than 18 months to two years. Even if it is assumed that willing acquirers exist, substantial time would be needed by those acquirers to formulate operating plans, determine and finance additional equipment and facilities needs, and negotiate the requisite labor agreements, to name but a few of the major problems involved.

[CLERK'S NOTE.—The following questions arose at the hearing and are submitted herewith.]

CONRAIL

Provide for the record a list of the top 100 shippers and include the daily volume of Conrail services used by each. If possible, identify which of these shippers would have difficulty finding an alternate method of shipping to Conrail service.

By nature, the great majority of these shippers have multiple plant locations with varying degrees of transportation options. Some would simply go out of business, others are served by another railroad. Assessing the precise impact is an extraordinarily complex task, as the impact is a function not only of the transportation alternatives at these hundreds of plants, but also of the transportation alternatives at the thousands of locations to which these plants are shipping their products.

Nevertheless, to give you a profile of the perceived impact, we have separated the 100 accounts into eight industry groups and a miscellaneous group, polled our account executives and specialty managers, and assembled comments on the transportation impact.

FORWARDERS - ETC.

American President Lines
Genex
Hub City Terminals
ITOFCA
Keystone Terminals
Trailer Train
Transway International
United Parcel Service

Generally speaking, the greatest portion of this traffic is immediately divertable to over-the-road trucking, but, with the following major negative side effects: (1) substantial impact on the physical condition and safety of the interstate highway system, (2) substantial impact on air quality, (3) substantial fuel consumption, (4) idling of substantial amounts of rail rolling stock, physical plant, and labor.

Generally speaking, this traffic is not immediately divertable to other rail, as intermodal ramps are not jointly served. It would require operating and other negotiated agreements with alternate carriers at origin and destination.

Literally all these customers have been captured by Conrail by instituting strict service patterns that other railroads definitely could not provide in the short run if at all. Furthermore, some of these accounts are certified motor carriers, and they would undoubtedly immediately convert to the highway to maintain service standards.

Although Conrail's U. S. Government account is substantial, a very large volume of U. S. Postal Service traffic is not included. Conrail presently operates, under a 4-year contract, dedicated trains (at a premium rate) to expedite the handling of U. S. Mail. Nine (9) major bulk mail centers are served by this Conrail operation which assists in achieving their Congressional mandate to generate annual energy savings by converting more mail from the highway to the rails. Loss of existing Conrail service would immediately force this traffic to star route carriers (highway).

STEEL

Armco Steel
Bethlehem Steel
Colt Industries
Inland Steel
Jones & Laughlin Steel
National Steel
Republic Steel
U. S. Steel Corp.
Wheeling Pittsburgh Steel

Many plants have alternative rail capacity in the near term, either through their own shortline switching railroads or by being jointly served.

Transportation problems exist, however, with regard to the total transportation network, i.e.: inbound, these plants receive huge volumes of raw materials - coal, coke, ore, scrap and fluxing stone from mines and facilities served only by Conrail. It is highly unlikely that other supply sources could be found within a reasonable time. Assuming they could, the further compounding effect would be bankruptcy of the present sources.

Outbound, many of the customers supplied by Conrail's top steel accounts are highly dependent on Conrail (estimate for U. S. Steel is 50%). Recent Conrail experiments with truck-served breakbulk facilities for these customers have shown little success.

Trucking as an alternative would seriously affect the companies served only by Conrail to the substantial economic benefit of these more highly leveraged with the N&W and Chessie.

AUTOMOTIVE

American Motors
Budd Company
Chrysler Corp.
Ford Motor Company
General Motors

Generally speaking, the set-up vehicle traffic is immediately divertable to truck. Most plants presently use both modes. However, it is likely that in the short run, without competitive pressure, truck rates would rise substantially adding significantly to the present financial burdens of the automotive industry. It is also unrealistic to assume existing truck capacity to absorb the additional volume.

Parts traffic would represent a more serious problem. Chrysler's 21 Conrail served plants are highly rail oriented; some don't even have truck docks or efficient highway access. Of General Motors 55 plants, 27 are closed to reciprocal switching.

Idling of Conrail would represent a serious overall economic loss with respect to the large inventory of boxcar equipment built and equipped specifically to serve the automotive industry.

PETROLEUM PRODUCTS

Continental Oil
Exxon
Occidental Petroleum
Mobile Oil

Significant rail equipment investments have been made by shippers in covered hopper and tank cars to support transportation needs. The economic consequences of diversion to other modes would be enormous.

Plastic resin producers and customers utilize covered hopper cars as inplant storage capacity. Loss of this storage capacity would shut down both producing and consuming activities.

Lead time on specialized truck equipment would result in a 12 - 24 month capacity shortage.

Unit train move of fuel oil to New York state utilities would be curtailed, forcing return to coal (after conversion) as fuel source.

COAL RELATED

Cleveland Electric Illuminating
Consumers Power
Continental Oil
    (Consolidation Coal)
Delaware Power & Light
Detroit Edison
Eastern Gas & Fuel Associates
Indianapolis Power & Light
Metropolitan Edison
New York Electric & Gas
Niagara Mohawk Power
Ontario Hydro
Peabody Coal
Pennsylvania Power & Light
Philadelphia Electric
Potomac Electric & Power
Public Service & Electric

Although not considered National Control Accounts, there are ten additional coal companies of the magnitude of "Top 100" contributing in the aggregate, over $100 million to Conrail revenues. Generally speaking, these are one-mine operations with no immediate transportation alternative.

Virtually all of the above accounts are highly dependent on Conrail. Few are jointly served and trucking is an unrealistic alternative due to the substantial volume.

Destinations are primarily the large metropolitan areas - public utilities and eastern and Lake ports. It is highly unlikely that even where physical access exists other eastern rail carriers could absorb this additional volume.

As a group, the 12 largest utilities operate 43 coal fired generating stations. Of these, 20 are dependent upon Conrail for their coal supplies. Should Conrail service terminate, the 20 generating stations would lose their source of fuel supply and be forced to operate at significantly lower levels or close completely. Should the stations be forced to close, it would take up to 10 years to replace the lost coal-fired generating capacity.

The remaining 23 coal fired generating stations would experience significant operating difficulties should Conrail service be curtailed due to the market disruptions and limited sources of supply.

Over 40 million tons of coal originated on Conrail during 1980. This tonnage was loaded onto the Conrail system at 219 loading points, most of which are totally dependent upon Conrail for service. A termination of Conrail service would force the closing of a large number of coal producing facilities due to a lack of viable alternative transportation systems.

LUMBER & PAPER PRODUCTS

Boise Cascade
Champion International
Georgia Pacific
Hammermill Paper
International Paper Co.
Kimberly Clark
St. Regis Paper Co.
Scott Paper
Weyerhaeuser

Although largely divertable to truck, there will be an immediate need for additional flat-bed trailers with limited backhaul opportunities and additional capital expenditure. This would undoubtedly cause a substantial increase in freight rates.

Pressure for increased rates would also exist if truckers absorbed the light-loading finished products presently moving at low rate levels.

The above economic pressures would likely have a negative impact on the economy in that they would tend to make Eastern Canadian lumber producers more competitive and would possibly increase other imported lumber products.

GRAIN & FOODS

A. E. Staley
Agway
Anheuser Busch
Archer Daniels Midland
CPC International
Cargill, Inc.
Carnation Co.
Central Soya
Farmers Export
General Foods
General Mills
Indiana Farm Bureau
International Multifoods
Kellogg
Landmark
Miller Brewing
Pillsbury Co.
Quaker Oats
Ralston Purina
Standard Brands
Tidewater Grain

The substantial network of "super country elevators" developed by Conrail and its predecessors is highly oriented to single railroad operation and to the export market. Diversion to other elevators within the gathering origins would be costly due to added trucking expenses, and would exceed the storage capacity of the remaining operational elevators. This would also be to the detriment of highly efficient unit train operations.

Remaining eastern port elevators could not absorb the additional tonnage during the peak winter season. Attempts to do this would undoubtedly lead to embargoes and loss of utilization on the already strained equipment fleets.

Trucking these huge quantities of Conrail originated grain to eastern ports and eastern/midwestern mills is not a realistic alternative due to the large volumes.

Large volumes of outbound products from wheat, corn, and soybean mills could be diverted to truck. However, truckers, anticipating losses at present rate level and without competitive pressures, would undoubtedly increase rates substantially. This would create an economic benefit to western millers who have not participated in the progressive move east and result in a reversal of this positive evolution to the transportation network.

As an example of the type of impact on individual companies in the event essential Conrail services were shutdown due to liquidation or abandonment, one eastern feed miller indicates that they would stand to lose $500 million in investments, and be forced to close 98 facilities. This is a bottom line figure as Conrail now serves over 400 small mills in the east and substituted motor carriage has already been factored into those points wherever possible.

CHEMICALS

Allied Chemical
Dow Chemical
E.I. Du Pont
FMC Corp.
Koppers
Monsanto
Olin Corp.
Pfizer
Stauffer Chemical
Union Carbide

Most plants are highly dependent upon Conrail and would have difficulty finding alternatives. Rail is not only the primary transportation mode, but is an essential part of an integrated production process.

Due to the heavy private investment in rail equipment (tank cars and covered hoppers) it would be economic disaster to consider diversion of significant volumes to truck.

Loading/unloading facilities specifically designed for rail are not easily converted to truck. This would effectively reduce capacity and curtail operations.

Hazardous Materials is a major component of this industry. Converting to truck would significantly increase transportation risks.

Limited on-site storage at producing locations requires constant product flow. Even a brief rail service disruption could cause key operations to be curtailed.

Insufficient specialized truck capacity exists to accommodate diverted rail volumes. Lead times are 12 - 24 months on new equipment.

ALL OTHERS

Alcoa
American Can
Canadian Industries
Diamond Shamrock
Eastman Kodak
Firestone Tire & Rubber
General Electric
Goodyear Tire & Rubber
Intl. Minerals & Chemicals
International Salt
International Telephone & Telegraph
Martin Marietta
Owens Illinois
PPG Industries
Procter & Gamble
Reynolds Metals
Sears Roebuck
Tenneco
U. S. Government

This large group of Conrail customers represents a cross section of American manufacturing and transportation and is not, therefore, conducive to generalization.

However, much of the inbound traffic is highly rail oriented and dependent upon Conrail - sand, rock, coal, salt, ores, etc.

The outbound is generally divertable to truck, but involves such an expansive matrix of origins and destinations that the additional traffic would put a substantial additional burden on the intercity highway network, cause vast additional use of fuel, and cause considerable additional air pollution.

. How much does Conrail pay out for consultant fees?

. Can this amount be reduced?

Conrail's payments to consultants are as follows:

April 1, 1976 through December 31, 1976	$9.1 million
1977	$9.9 million
1978	$9.2 million
1979	$11.3 million
1980	$10.1 million
1st Quarter 1981	$2.6 million

With respect to the second question, I am sure the amount can be reduced depending upon Corporate direction given Conrail by Congress.

Included in the figures above are contracts placed with Conrail's advertising agency as well as Conrail's accounting firm, which are substantial and each amounts to about $1 million per year.

Q. Will more work (now done under service contracts) be done in-house? If so, how will this be accomplished since Conrail's proposing a major rationalization of facilities? Will money be saved?

A. Conrail endeavers to perform work in the most economic fashion. Although in most cases this means that the work is done in-house by Conrail employees, exceptions to this policy are sometimes required. In general, outside contracting is required when the work is so specialized that the necessary skills or capital equipment are not available, or when available employees and facilities are fully utilized and therefore the work cannot be completed within the required time. (As information, the relevent language from the agreement between Conrail and the International Association of Machinists and Aerospace Workers, which covers the contracting-out of work, is abstracted and attached.) For example, Conrail in the past has used contractors for the clean-up of derailments, especially those involving hazardous materials. In this case, it is not economic for the corporation to maintain the capability to expeditiously clear derailments -- and minimize the danger to surrounding population -- because this capability would require highly specialized equipment and personnel located at several places around the system, which would spend much of its time idle.

AGREEMENT
ENTERED INTO BY AND BETWEEN
CONSOLIDATED RAIL CORPORATION
and
INTERNATION ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS
REPRESENTING
MACHINISTS THEIR HELPERS AND APPRENTICES
EMPLOYEES OF
CONSOLIDATED RAIL CORPORATION
IN THE
MAINTENANCE OF EQUIPMENT DEPARTMENT
Rules Effective - May 1, 1979

SCOPE

.... It is the general intent of the Company and the organization that, subject to the Exceptions herein, any and all work set forth in the Work Classification Rule herein which can reasonably and practicably be performed by the employees covered by this Agreement shall be assigned to such employees rather than to any contractor or sub-contractor.

III. Exceptions

.... The following exceptions shall apply:

(d) Building, rebuilding, or upgrading locomotives (or parts thereof) by outside concerns...unless. (1) the necessary skills, facilities and equipment to perform the projected work (including any proposed betterments) on such units, components or parts, are not available in its shops ... or (2) such work of rebuilding or upgrading of locomotives cannot be performed in such shops within a reasonable required time, or (3) such work of rebuilding or upgrading locomotives cannot be performed in such shops except at a greater cost...

(e) Building cars by outside concerns; however, before the Company contracts with outside concerns to build or purchase cars it will take into consideration, among other factors, (1) the availability in its shops where such work is ordinarily performed of the necessary skills, facilities and equipment, (2) whether the work can be performed in its shops within a reasonable required time, (3) whether the outside concern employes bona fide union labor, and (4) whether the work can be performed in its shops only at greater cost.

(f) Rebuilding or upgrading cars (not including class 1, 2, 3, or 4 repairs) by outside concerns in circumstances when there are not a sufficient number of qualified available furloughed employees covered by this Agreement... or, when such work of rebuilding or upgrading cannot be performed at such points within a reasonable required time, or in circumstances where the financing of the project requires that such rebuilding or upgrading be performed by such outside concerns....

(h) Repair work by outside concerns in major emergencies involving a substantial volume of repairs if such repairs cannot be made by employees covered by this Agreement within a reasonable time in the light of the emergency.

(l) Before the Company contracts with outside concerns to perform any of the work permitted by the exceptions in Article III hereof... it will notify the involved General Chairman of the International Association of Machinists and Aerospace Workers of the proposed action and the reasons therefor...

Questions: IV. Conrail is suggesting that an additional $342 million in federal funds will be needed over the next five years. What assurance is there that this expenditure will achieve its expected results?

XI 2) Please provide a detailed assessment of the probability of successfully implementing each of the external changes submitted by Conrail.

Answer: IV Conrail's need for $342 million during 1982-1986 is based on the achievement of a variety of "internal" and "external" changes. The "internal" changes are largely within the control of Conrail; the "external" changes are not.

The two principal "internal" changes upon which Conrail's financial projections are based relate to traffic projections and productivity improvements. In both areas, as explained below, Conrail is confident that its assumptions are achievable.

In preparing its 1982-1986 financial projections, Conrail has assumed a low growth traffic forecast, based upon a very conservative projection of the economic strength of the nation and Conrail's Northeast/Midwest region during 1982-1986. The traffic forecast is based on an assumed GNP growth of only 2.5% per year, compared with a 3.2% annual GNP growth during 1970-1980. Conrail places a 75% likelihood of achievement on its traffic forecast.

Conrail has assumed the realization of $2.3 billion of efficiencies or productivity improvements during 1981-1986 -- including $1.5 billion in management initiated productivity improvements, $300 million in capital program efficiencies and $500 million through improved equipment utilization. Conrail believes these improvements are achievable because (1) they reflect a reduced rate of improvement than Conrail has actually realized during 1979-1980; and (2) line operating managers with the responsibility to implement these efficiencies have concurred in their reasonableness.

Conrail believes that its traffic forecast and efficiency projections are conservative -- and that it is more likely that these projections will be exceeded than that they will fall short. As shown in Table 1 below, however, Conrail will not become self-sustaining without realization of a series of "external" changes.

TABLE 1

Case C - Without External Changes
Funding Requirements
1982-1986
(Millions of Current $)

	1982	1983	1984	1985	1986	Total 1982-86
Net Profit (Loss)	$(180)	$(142)	$(76)	$(15)	$ 91	$(322)
Plus: Non-Cash						
Charges (1)	258	287	334	394	444	1,717
Other (2)	50	56	61	62	65	294
Total	$128	201	319	441	600	1,689

Less: Property Improvements (3)	(510)	(508)	(563)	(629)	(629)	(2,839)
Debt Maturities	(133)	(130)	(144)	(166)	(178)	(751)
Decrease (Increase) in Working Capital	(30)	(40)	(50)	(60)	(70)	(250)
Drawdown Requirements	$545	$477	$438	$414	$277	$2,151

(1) Includes depreciation, equity, ESOP, and casualties.
(2) Includes sales of scrap, salvage, etc.
(3) Includes track rehabilitation and nonfinanced equipment and facility improvement.

Without "external" changes, Conrail will require $2.151 billion in additional funding. To become self-sustaining, Conrail must achieve significant changes of a nature not entirely within Conrail's control. The type and magnitude of such changes assumed by Conrail is listed in Table 2 below:

TABLE 2

Case C
Impact of "External" Changes
1982-1986
(Millions of Current $)

	1982	1983	1984	1985	1986	Total 1982-1986
Drawdowns Without External Changes	$(545)	$(477)	$(438)	$(414)	$(277)	$(2,151)
External Changes:						
Aggressive Labor Settlement	189	207	227	263	414	1,179
Severance Fund-Savings	90	100	80	30	10	310
Severance Fund-Costs	(125)	-	-	-	-	(125)
Amtrak-NEC Resolution	30	23	26	30	33	132
Acquire D&H Traffic	45	47	50	53	55	250
Merger (MP-UP, NWS)	(2)	(13)	(17)	(19)	(19)	(70)
State, Local Assistance	50	50	50	50	50	250
Long Island Divisions	7	7	8	9	9	40
Cash Generation	-	-	-	$ 3	$ 154	$ 157
Drawdowns With External Changes	$(271)	$ (56)	$ (15)	-	-	$(342)

XI

Since achievement of each of these "external" changes is at least in part beyond Conrail's complete control, Conrail cannot state with complete assurance they will be realized. The probability of their achievement depends on the degree to which Congress and the administration support Conrail's need to achieve them -- and to the extent that legislation is passed facilitating their achievement.

Publication of Conrail's April 1, 1981 report (including the statement that "external" changes are required for Conrail to become self-sustaining) combined with the position taken by the administration that Conrail's operations should be "transferred" to other railroads, has improved the probability that the recommended contributions from Conrail's employees will be achieved. However, successful implementation of a separation program to provide a mechanism to furlough 4,600 excess firemen and brakemen may require Congressional assistance through legislation to make such a program mandatory rather than voluntary.

Achievement of other recommended "external" changes, such as contributions from state and local governments (as recommended in the Reagan budget), and the benefits which would result from Conrail's assumption of traffic now moving on the D&H, is completely within the control of Congress. The removal of commuter services and the Title V labor protection obligation from Conrail also requires Congressional action. Finally, resolution of Conrail's ongoing dispute with Amtrak regarding the appropriate level of charges for moving freight traffic on the Northeast Corridor almost certainly will require administration or Congressional assistance.

With the achievement of these "external" changes, Conrail's need for additional federal funding is reduced to $342 million during 1982-1986 (excluding Title V obligations) -- as shown in Table 3.

TABLE 3

FUNDING NEEDS - CASE C
($ Millions - Current)

	1981	1982	1983	1984	1985	1986	Total 81-86	Total 82-86
Drawdown Required - Unadjusted	(195)*	(545)	(477)	(438)	(414)	(277)	(2346)	(2151)
Less: Adjustments								
Aggressive Labor Settlement	70	189	207	227	263	293	1249	1179
Severance Fund - Cost	-	(125)	-	-	-	-	(125)	(125)
- Savings	-	90	100	80	30	10	310	310
Resolve Amtrak NEC Charge	-	20	23	26	30	33	132	132
Acquire D&H Traffic	-	45	47	50	53	55	250	250
Merger Impact (MUP/NWS)	-	(2)	(13)	(17)	(19)	(19)	(70)	(70)
State/Local Contributions	-	50	50	50	50	50	250	250
Long Island Divisions	-	7	7	8	9	9	40	40
TOTAL	70	274	421	423	417	431	2036	1966
Drawdown Required-With Adjustments	(125)	(271)	(56)	(15)	-	-	(467)	(342)
Cash Generated	-	-	-	-	3	154	157	157
Funding Recommended for Appropriation								
General	300	-	-	-	-	-	300	-
Severance	75	-	-	-	-	-	75	-
Net Cumulative Funding Surplus (Shortfall) (Excluding Title V)	250	(21)	(77)	(92)	(89)	65		
Less: Title V Costs	(70)	(57)	(63)	(79)	(83)	(92)	(444)	(374)
Plus: Title V Funds Recommended for Appropriation	60						60	
Net Cumulative Funding Surplus (Shortfall) (Including Title V)	240	(88)	(207)	(301)	(381)	(319)		

* In addition to the $155 million remaining as of 1/1/81 of $3.3 billion already appropriated for Conrail.

The probability that Conrail can successfully implement most if not all of these "external" changes with some assistance and some legislative change -- an eventuality contemplated in the Staggers Act definition of Case C -- is high. Without such "external" changes and without the assistance required to achieve them, Conrail will not become self-sustaining.

V

Q. Conrail had expected to begin building gondolas this July. What is the status of this project? How will it affect Conrail operations?

A. Conrail's gondola building project is currently suspended, because the necessary external financing is not available. The situation is being reviewed on a month-by-month basis. Shop capacity sufficient to resume production on 30 days notice is available. In the judgment of Conrail's investment bankers, the uncertainty concerning Conrail's future, exacerbated by conflicting statements emanating from Washington, has closed-out the possibility of obtaining the necessary financing at this time.

Conrail does not expect a serious negative effect during the current recession, because available gondola capacity is sufficient to carry current traffic. The real effect is expected when a substantial upturn in gondola traffic occurs. There are two results of not building these gondolas: (1) the cost of traffic carried will increase, because more of it will move in more expensive foreign equipment; and, (2) Conrail will lose some traffic for which it has insufficient physical capacity.

VI

Provide your recommendations of Conrail's needs over the next four years in terms of permanent facilities track, locomotives, and rail cars. Please state any assumptions (regarding traffic, the economy, funding, etc.) on which your recommendations are based.

Capital Investment, 1982-1985

During 1976-1980, Conrail with the help of federal funds, implemented major rehabilitation efforts in each of its capital program areas. Conrail's objective during this period was to reduce all types of deferred maintenance. This massive rehabilitation effort has resulted in deferred maintenance in track facilities, and equipment being reduced to the point that it no longer affects operations for most of Conrail's traffic.

Having essentially achieved its original objective, Conrail, responding to the challenges it faces during the next five years, has developed a new set of capital planning objectives.

- Maintain the gains in plant and equipment condition achieved during the past five years, and prevent the accumulation of new deferred maintenance.
- Adjust the capacity of Conrail's capital plant to match current reduced traffic expectations.
- Re-evaluate the long-term normalized spending levels needed to prevent the accumulation of deferred maintenance in light of the projected results of rationalization efforts and the current condition of Conrail's plant and equipment.
- Establish systematic, long-term procurement and rehabilitation programs for both plant and equipment - using these defined spending levels. (The definition of such programs should improve the cost-effectiveness of Conrail's capital programs and provide a more reliable basis for implementation planning.)

Conrail has used these criteria in developing its 1982-1985 capital programs, summarized in Table I.

Table I

Projected Capital Expenditures
1982 - 1985
(Current Dollars in Millions)

Programs	1982	1983	1984	1985	Total
Discretionary Track	$ 297	$ 326	$ 360	$ 397	$1,380
Additions & Improvements	167	146	160	173	646
Revenue Equipment	155	27	102	155	439
Nonrevenue Equipment	85	300	375	356	1,116
TOTAL	$ 704	$ 799	$ 997	$1,081	$3,581

Discretionary Track Program

From Conveyance through 1979, Conrail's track rehabilitation efforts were designed to overcome the maintenance deferral policies of the predecessor railroads. Changing business conditions, financial constraints and an accelerated plant rationalization effort resulted in a significant change to the 1980-1981 track program strategy. The massive rehabilitation program ended and the maintenance effort was redirected towards holding the gains from the previous four years.

As a result of the track program to date, a vastly improved track system has emerged, particularly on the core and principal routes, as well as in the major yards. Although the program is constrained in 1981, the track program will not impair Conrail's ability to provide safe, dependable and economical rail transportation, and customer service will not be adversely affected during the planning period.

Rationalization will reduce Conrail's investment requirements the next four years by approximately $248 million. Removal and consolidation of main lines will provide material for both rail and tie renewals to augment Conrail's program material requirements. Removal of this trackage will also do much towards reducing deferred maintenance and avoiding future rehabilitation requirements.

While recognizing a limited availability of funds, Conrail will provide sufficient production to maintain the core and principal routes at their present level of utility, given a significant reduction to branch and main line track miles. Table II details the 1982-1985 track program.

Table II

Discretionary Track Program*
1982-1985
(Current Dollars in Millions)

Program	1982	1983	1984	1985	Total
Rail (miles					
New	150	150	150	150	600
Fit	325	350	350	350	1,375
Total	475	500	500	500	1,975
Ties (000)	2,000	2,000	2,000	2,000	8,000
Surfacing (pass miles)	8,000	8,000	8,000	8,000	32,000
Expenditures	$ 297	$ 326	$ 360	$ 397	$1,380

Additions and Improvements

At Conveyance, the condition of the yards and facilities reflected decades of neglect under the predecessor railroads that created significant levels of deferred maintenance and inefficient operations due to the lack of capital. Anticipating significant traffic increases, as projected in the Final System Plan, substantial capacity expansions and yard modernization projects were carried out by Conrail. Given a current forecast of traffic levels and tonnage showing only a 1 percent per year growth through 1985, it is clear that additional major facility expansion is not needed. Accordingly, 1981 will be a year of transition, marked by elimination of major projects previously justified by anticipated increases in traffic. However, individual industry development activities will continue to require new or improved Conrail facilities, for example, the new Central Motors facility at Moraine, Ohio.

In 1981, Conrail's A&I spending program began a gradual shift in emphasis from large projects aimed primarily at facility modernization and capacity expansion to a broader program of sponsoring small projects to optimize plant efficiency and maintain plant condition. Certain components of the program dealing with safety and environmental issues, bridge and tunnel maintenance requirements and the capitalized portion of the track replacement program continue to be sponsored.

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* Includes DATS, but excludes Passenger and I&C work.

The impact of rationalization programs is reflected primarily in the level of service and operating expenditures and the expenses incident to these expenditures. In the Plan, approximately $132 million would be directed toward rationalization projects during 1982-1985. The change in the size of the physical plant would not have a significant impact on capital expenditures in categories other than service and operating for the following reasons:

- Most of the capital programs have been and will continue to be directed toward selected major facilities which will remain a part of the slimmed-down physical core.
- Most mandatory projects are associated with facilities that will not be rationalized.
- Projects sponsored for ROI reasons will deal with ways of making the rationalized system even more efficient; these projects are often derived from a year-by-year Industrial Engineering cost effectiveness program keyed to the physical plant that will remain.
- Most major equipment renewal and replacement programs are keyed to freight volume and the current condition of the equipment fleet rather than such factors as the miles of main or branch lines.
- Marketing initiative projects funded in the A&I program primarily deal with the creation of additional profitable business and therefore, both the cash and externally financed portions of the capital program, are fairly insensitive to track rationalization.

The emphasis of future A&I spending programs will be to maintain the physical plant through 1985, realize additional efficiencies through plant rationalization, support the capitalized portion of the rail program, and sponsor high return-on-investment projects. The 1982-1985 program is depicted in Table III.

Table III

A&I Program
1982 - 1985
(Current Dollars in Millions)

	USRA Category	1982	1983	1984	1985	Total
I	Yards & Terminals	$ 4.8	$ 2.6	$ 2.9	$ 3.1	$ 13.4
II	Communications & Signals	6.3	3.9	4.3	6.2	20.7
III	Safety & Environmental	11.3	7.8	8.6	10.9	38.6
IV	Service & Operating	16.0	28.0	19.9	21.8	85.7
V	Workshop & Machinery	26.1	13.7	14.2	17.2	71.2
VI	Intermodal	2.4	1.3	1.4	1.6	6.7
VII	Bridges & Tunnels	8.4	7.8	8.5	10.9	35.6
VIII	Track Investment	25.1	23.4	25.6	28.0	102.1
IX	Miscellaneous	53.4	44.1	53.2	59.7	210.4
	Total (Gross A&B)	$153.8	$132.6	$138.6	$159.4	$584.4
	Expenses Incident	13.6	13.1	21.5	13.4	61.6
	Gross Investment	$167.4	$145.7	$160.1	$172.8	$646.0
	External Financing Requirement	$ 25.5	$ 27.9	$ 32.5	$ 35.3	$121.2

Table IV summarizes the capital spending over the four year period. In addition, it shows the one-time benefits, as well as the annual benefits to the achieved by 1985.

Table IV

1982 - 1985 A&I Capital Program - Gross A&B Summary
(Millions of December 1980 Dollars)

Five Year Investment			
Mandatory	Non ROI	ROI	Total*
$25	$169	$236	$430

Benefits From Capital Expenditures			
Conrail Benefits in 1985		One-Time Benefit	
Efficiencies	Contribution	Salvage**	Cost Avoid.
$47	$49	$7	$ 54

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*Restated in Current $ - $584

**Salvage stated in book values.

Revenue Equipment

Since Conrail's inception, its revenue acquisition program has focused on improving service and on providing adequate equipment to maintain or expand Conrail's most profitable market segments.

Conrail's fleet decreased approximately 25 percent from 1976 to the end of 1980, due primarily to large retirements of plain boxcars, open top hoppers and gondolas. New additions to the fleet since Conveyance have concentrated on supporting profitable segments of the traffic base: coal, steel and automotive traffic.

Changing business patterns in 1980, severely affected by high inflation and the rising cost of money, have resulted in the postponement or cancellation of some marketing initiatives begun earlier. The automobile industry deteriorated badly, steel shipments were off considerably, and coal and ore demand did not materialize as expected.

Because of these external financing factors, Conrail was able to postpone its acquisition plans for many car types. The economic conditions of 1980 have continued into 1981; in addition, the uncertainty surrounding Conrail's future has prevented it from externally financing its car acquisitions. Accordingly, Conrail has once again reduced its car purchases and in-house car building programs.

Title V displaysthe current assumptions and projections for the freight cars required to handle the traffic expected during the 1982-1985 period.

Table V

Freight Car Fleet Projections

1982-1985

	1982	1983	1984	1985
Tonnage Forecast (Millions)	243	242	246	250
Carloads (Millions)	3.56	3.52	3.55	3.58
Serviceable Fleet (January 1)	100186	97592	93061	92877
Bad Order Ratio (percent)	12.4	12.4	12.9	10.0
Retirements (Units)	6030	4670	4228	4116
Car Acquisitions	2955	140	650	1600
Heavy & Medium Repair Program (units)	16578	15088	16955	16545
Util. Improvement (System) (percent)	3.7	3.2	3.0	-
Util. Improvement (Foreign) (percent)	3.4	1.8	1.6	-

Details of Conrail's projected revenue equipment acquisitions are shown in the following Table VI.

Table VI

Revenue Equipment Acquisition Program
1982 - 1985

Units	1982	1983	1984	1985	Total
Freight Cars	2,995	140	650	1,600	5,345
Trailers	-	-	3,000	2,250	5,250
Other	383	483	20	-	886
Total Units	3,338	623	3,670	3,850	11,481
Expenditures ($ in millions)					
Freight Cars	$ 140	$ 13	$ 37	$ 99	$ 289
Trailers	-	-	53	43	96
Other	15	14	12	13	54
Total Expenditures	$ 155	$ 27	$ 102	$ 155	$ 439
External Financing Requirements	$ 140	$ 13	$ 90	$ 142	$ 385

During the five-year period, an average of 16,000 cars annually will require either heavy repairs or medium repairs. These repairs, together with the new car acquisitions will help keep the fleet at the level necessary to meet traffic demand.

Conrail expects to increase heavy and medium freight car repairs during the 1982-1985 period above current levels and above prior FYBP projections. This increase has been required primarily by heavier than anticipated retirements, curtailed freight car acquisitions in 1980 and 1981, and somewhat greater fallouts (cars requiring heavy and medium repair) than had been assumed in developing the July, 1980 FYBP repair programs. On the other hand, because of the improved condition of Conrail's fleet, fallouts are expected to decrease considerably from 1977-1980 levels.

Locomotives and Nonrevenue Equipment

The poor condition of the nonrevenue equipment fleet and especially the locomotives which Conrail inherited, necessitated extensive replacements and repairs in the 1976-1980 period.

Conrail's automotive fleet also required modernization; 4,240 highway vehicles were replaced during the 1977-1980 period. The remainder of Conrail's nonrevenue capital program was concentrated on equipment acquisitions and conversions necessary to support the discretionary track program, including 1,377 ballast cars, 400 camp cars, and 3,347 miscellaneous conversions and maintenance of way units.

In 1980, the nonrevenue equipment program decreased sharply from previous years' levels because of the 11.5 percent reduction in traffic from 1979, and the reduced availability of external financing to Conrail. In 1981, with traffic expected to improve about four percent from the 1980 level, the nonrevenue equipment capital budget has been increased to $67 million. The 1981 program proposes no locomotive acquisitions or rebuilds in view of the surplus locomotive power situation carried over from 1980 and the continued lack of external financing.

The following table (Table VII) presents the locomotive strategy, assumptions, and projected acquisitions required to meet operating performance standards of not delaying trains for lack of power by more than a total average of 100 hours per day during peak traffic months.

Table VII

Locomotive Strategy

Traffic and Utilization	1981	1982	1983	1984	1985
Tons (Millions)	247.5*	243.0	242.4	246.4	250.3
Net Ton Miles (Millions) (Incl. Mail)	88,960*	87,510	88,045	89,730	91,434
Loaded Cars Handled (Millions)	17.83*	16.86	16.94	17.18	17.44
Utilization-Net Ton Miles/Available Unit Day (000)	73.79*	77.69	78.57	79.55	80.52

Fleet Statistics	1981	1982	1983	1984	1985
Total Avaiable Fleet Required (Annual Average)	3,303	3,086	3,070	3,082	3,111
Total Available Fleet Required (Peak Months)	3,447	3,218	3,185	3,199	3,214
Acquisitions	--	--	175	200	150
Rebuilds	--	--	100	100	100
Overhauls	401	531	465	471	398
Heavy Repairs	270	250	245	245	250
Retirements Net (Total Less Rebuilds)	337	290	246	181	161
Beginning Year Ownership Less Set Aside	4,267	3,930	3,640	3,569	3,588
Year Average Ownership Less Set Aside	4,110	3,796	3,630	3,579	3,585
Out-of-Service Ratio (Percent)	14.5%	14.0%	13.0%	12.9%	12.5%
Average Available Fleet	3,318*	3,255	3,156	3,117	3,135
Peak Month Availability		3,259	3,182	3,147	3,165
Average (Shortage) or Surplus in Peak Months		41	(3)	(52)	(49)

*BUDGET

NOTE: Out-of-Service Reduced 1.0% in 1983 as a Result of Completion of Enola Consolidation.

In addition to locomotives, Conrail requires a variety of other nonrevenue equipment for its operation: highway vehicles; camp car modules and flat cars; jointed rail pick-up pushers, train cars and flats; tool and supply cars; scale monitor cars; ballast cars; and locomotive cranes.

Details of Conrail's projected locomotive and nonrevenue equipment program is shown in the following table.

Table VIII

Locomotive & Non-Revenue Equipment Program
1982 - 1985

Units	1982	1983	1984	1985	Total
Locomotives	-	175	200	150	525
Locomotive Rebuilds	-	100	100	100	300
Highway Vehicles	1,152	1,224	1,026	1,053	4,455
Other Acquisitions & Conversions	1,457	1,097	1,073	957	4,584
Total Units	2,609	2,596	2,399	2,260	9,864
Expenditures ($ in millions)					
Locomotives	$ -	$ 178	$ 224	$ 184	$ 586
Locomotive Rebuilds	-	51	56	62	169
Highway Vehicles	27	22	32	29	110
Other Acquisitions & Conversions	58	49	63	81	251
Total Spending	$ 85	$ 300	$ 375	$ 356	$1,116
Required External Financing	$ 27	$ 251	$ 312	$ 275	$ 865

Conrail's plans for its future locomotive overhaul and heavy repair programs are based on the fleet size required and fallouts projected on the basis of age and condition, type of service, and time since last repair of the units.

The high overhaul requirements projected for 1982 through 1985 in prior plans have been reduced. These reductions result from increases in anticipated retirements of older units made possible by a reduced fleet requirement caused by lower traffic projections and better anticipated utilization. Heavy repairs, which involve less work than overhauls, are projected to remain relatively constant over the 1982-1985 period, at a level below that previously anticipated in the July, 1980 FYBP.

Describe the general condition of Conrail's track. Please describe the work that has been done to upgrade Conrail track in 1980. Which lines have received the most attention? What has been the cost of these improvements. What work remains for FY 82?

From Conveyance through 1979, Conrail's track rehabilitation efforts were designed to overcome the maintenance deferral policies of the predecessor railroads. Changing business conditions, financial constraints and an accelerated plant rationalization effort resulted in a significant change to the 1980-1981 track program strategy. The massive rehabilitation program ended and the maintenance effort was redirected towards holding the gains from the previous four years.

As a result of the track program to date, a vastly improved track system has emerged, particularly on the core and principal routes, as well as in the major yards. Although the program is constrained in 1981, the track program will not impair Conrail's ability to provide safe, dependable and economical rail transportation, and customer service will not be adversely affected during the planning period.

Rationalization will reduce Conrail's investment requirements the next four years by approximately $248 million. Removal and consolidation of main lines will provide material for both rail and tie renewals to augment Conrail's program material requirements. Removal of this trackage will also do much towards reducing deferred maintenance and avoiding future rehabilitation requirements.

While recognizing a limited availability of funds, Conrail will provide sufficient production to maintain the core and principal routes at their present level of utility, given a significant reduction to branch and main line track miles. Table II details the 1982-1985 track program.

IT HAS BEEN ESTIMATED THAT UP TO $9.7 BILLION IN LABOR PROTECTION PAYMENTS MIGHT BE INVOLVED IF CONRAIL LINES ARE TRANSFERRED TO PRIVATE RAILROADS AND IT HAS BEEN PROPOSED THAT THE GOVERNMENT ASSUME THIS LIABILITY. COULD YOU EXPLAIN, IN DETAIL, THE BASIS FOR THIS ESTIMATE?

As was indicated above, the estimate of $9.7 billion assumed the furloughing of 40,000 employees. Furloughed protected Conrail employees are entitled to monthly displacement allowance and fringe benefit protection which averages in excess of $29,000 per year, based upon 1980 rates of pay. This figure was not inflated to reflect future general wage increases, thereby lending a conservative bias to the estimate. An analysis of the age and length of service of the Conrail population disclosed that 1,000 furloughed employees would collect approximately $242 million during the life of the Title V program. The $242 million estimate recognizes that employees with less than "lifetime" protection either have no entitlement to benefits or will exhaust that entitlement within five years. It further assumes that fully protected employees will collect benefits until their attainment of age 65. This assumption overstates liability somewhat, inasmuch as some employees may be expected to die prior to attaining that age. However, in our view this slight overstatement of liability is fully nullified by the fact that our $242 million does not include liability for monthly displacement allowances payable to Conrail employees who secure employment with acquiring carriers. The estimate also assumes that currently unprotected employees do not receive benefits pursuant to provisions imposed by the ICC. The $9.7 billion estimate was derived by multiplying $242 million by 40.

- PLEASE DESCRIBE THE SPECIFIC CHANGES YOU WOULD RECOMMEND IN TITLE V AS A MEANS OF BRINGING UNDER CONTROL THE FEDERAL GOVERNMENT'S ROLE IN LABOR PROTECTION PAYMENTS.

Conrail has taken the position that it cannot generate funds to pay employee protection payments, and that the government must assume total responsibility for these social costs. Virtually no type of changes in the benefit formulas would permit Conrail to fund these obligations; accordingly, Conrail's basic position remains that the federal government must assume responsibility for employee protection.

Once this step is taken, the appropriate level of benefits and program costs are public policy questions that should be addressed in the political process along with questions of the size and generosity of other, similar, social programs.

X

WHAT IS YOUR ESTIMATE OF THE AMOUNT OF MONEY WHICH COULD BE USED BY CONRAIL BEFORE THE CLOSE OF 1981 FOR SEPARATION PAYMENTS IN WHICH BOTH THE PERSON AND THE POSITION WERE TERMINATED? PLEASE INDICATE THE NUMBER OF POSITIONS WHICH COULD BE ELIMINATED AND THE RECOMMENDED AMOUNT PER POSITION.

In order that we may successfully implement a severance program which will reduce the number of Conrail's unnecessary train and engine service employees, the labor organizations must agree to the permanent elimination of positions to the same extent that employees are severed. The labor organizations may be unwilling, for political reasons, to enter into such an agreement. However, if such an agreement and Federal funding are secured in a timely manner, we estimate that 1,500 employees might be induced to sever voluntarily, at a cost of $20,000 to $25,000 per employee. Conrail ultimately desires to sever 4,600 train and engine service employees, and to spend $10 million to transfer surplus engine service employees to locations where their services are required. If the agreement referred to above cannot be secured, or if a sufficient number of employees cannot be induced to sever voluntarily, corrective legislation will be required. Any monies remaining after these 4,600 employees have been severed and the engine service employees have been transferred will be used to sever employees in other crafts, in instances where such severances would result in the recall of employees collecting monthly displacement allowances.

IN THE EXECUTIVE SUMMARY OF THE REPORT ENTITLED, "OPTIONS FOR CONRAIL", THERE IS A DISCUSSION OF THE COST OF THE TRANSFER OPTION. UNDER THE TRANSFER OPTION AS MANY AS 20,000 TO 40,000 EMPLOYEES COULD BE DISPLACED WHICH WOULD COST APPROXIMATELY $3 BILLION DURING THE FIRST 5 YEARS AND MORE THAN $9 BILLION BEFORE PAYMENTS TO THOSE ADVERSELY AFFECTED WOULD END.

AS YOU KNOW, AN AMENDMENT TO TITLE V WAS PROPOSED BY THE CARTER ADMINISTRATION AS A PART OF THE GENERAL PROVISIONS (PAGE III-45) FOR THE 1981 SUPPLEMENTAL. THIS AMENDMENT WOULD PERMIT CONRAIL TO TERMINATE EMPLOYEES WITH A $25,000 SEVERANCE PAYMENT AND WOULD PROHIBIT PAYMENTS TO ANY EMPLOYEE IN EXCESS OF $100,000 IN AGGREGATE, AND NO MORE THAN $25,000 PER YEAR.

DOES CONRAIL SUPPORT THIS PROVISION? TO YOUR KNOWLEDGE, DOES USRA SUPPORT THE PROVISION? DOES FRA AND THE NEW ADMINISTRATION SUPPORT THE PROVISION? WHAT POSITION HAVE THE UNIONS TAKEN ON THIS PROVISION?

IF THIS PROVISION WERE ENACTED, WHAT IMPACT WOULD IT HAVE ON TITLE V LIABILITIES? SPECIFICALLY, HOW WOULD IT IMPACT THE $3 BILLION AND $9 BILLION ESTIMATES OF TITLE V EXPENSES ESTIMATED BY CONRAIL AND REPORTED ON PAGE 6 OF THE EXECUTIVE SUMMARY OF THE REPORT, "OPTIONS FOR CONRAIL"?

Conrail cannot speak for FRA or USRA; however, we support the proposed budget language on reducing Title V liability. We particularly support the mandatory severance provision.

> Conrail's estimate of more than $3 billion in Title V liability for the period 1982 through 1986, and its estimate of more than $9 billion in total Title V liability, were based upon the furloughing of 40,000 employees. Approximately 71% of Conrail's employees are protected. If one assumes that 71% of the employees who become furloughed during a controlled transfer will be protected, and if one further assumes that average benefits payable pursuant to the Carter Administration provisions will be $25,000 per protected furloughed employee, benefits would total approximately $710 million. This estimate of $710 million assumes that employees not eligible for Title V benefits remain ineligible, and do not become protected pursuant to provisions imposed by the ICC.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now stand in recess.

[Whereupon, at 11:40 a.m., Monday, April 6, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 8.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, APRIL 8, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:22 a.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Abdnor, Kasten, D'Amato, Chiles, Byrd, and Hatfield.

DEPARTMENT OF TRANSPORTATION

STATEMENT OF ANDREW L. LEWIS, SECRETARY

ACCOMPANIED BY:
DARRELL M. TRENT, DEPUTY SECRETARY
WALTER R. BOEHNER, DIRECTOR OF BUDGET

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. This morning we are hearing from the Department of Transportation, of course, and secretarial overview is the subject. We are honored to have the Secretary of Transportation Drew Lewis with us.

Secretary Lewis, I know you have a statement. It will be included as though given in full in the record. You can comment as you may well wish to, on the subject of the statement and summarize it in whatever way you wish and leave the balance of the time for questions.

This morning we are honored by having our good friend and colleague, Senator Hatfield from Oregon with us. He is the chairman of the entire Appropriations Committee, and Senator Hatfield, you might want to ask a few questions of the Secretary before he proceeds with his statement because I know that you have obligations in a number of other subcommittees. Senator Hatfield.

Senator HATFIELD. Chairman Andrews, I am very grateful for your consideration.

Senator ANDREWS. And the record will show your questions as immediately following the initial statement by the Secretary.

Senator HATFIELD. I thank the chairman. You are quite correct. We have an issue in the Rules Committee starting at the same hour on whether or not the Senate should be televised.

Senator ANDREWS. Well, I hope you vote right on that.

INTRODUCTION OF ASSOCIATES

Mr. LEWIS. Thank you, Mr. Chairman. With me today to my left is Darrell Trent, Deputy Secretary of Transportation, and on my right is Walter Boehner, who is Director of Budget. They will be supporting me and helping me as we answer your questions today.

I have submitted in writing a statement. With your permission I would like that to be part of the record.

PREPARED STATEMENT

Senator ANDREWS. It will be, Mr. Secretary.

Mr. LEWIS. I think we can spare you the need to have me repeat it or even summarize it, and we are prepared then to go right on with the questions that you would care to ask us.

[The statement follows:]

STATEMENT OF SECRETARY ANDREW L. LEWIS

On February 18, 1981, President Reagan set the ground rules for his recovery plan--a "new beginning" for the American economy--and on March 10 he announced his budget proposals in support of that plan. Following the President's announcement of his budget revisions, we sent to the Congress a series of supporting legislative proposals on Federal transportation policy and funding of a wide range of transportation programs:

-- Airports and airways,

-- Highways and highway safety,

-- Amtrak,

-- Mass transit, and

-- User fees on Coast Guard services.

I am especially pleased, therefore, to have this timely opportunity to address this Committee for the first time as Secretary of Transportation.

For fiscal year 1982 we are requesting $19.2 billion in budget authority for Department of Transportation programs, including $215 million transferred to the Department for the Appalachian highway program. This represents a projected budget savings of nearly $5 billion from the $24.2 billion requested for these programs by the prior Administration.

Clearly, with budget savings of that size it will not be "business as usual" at DOT this next year. But I think President Reagan made it clear in his first economic message that we cannot expect to do "business as usual" in this country if the results are to be double-digit inflation, double digit annual increases in Federal spending and record deficits that have pushed interest payments on the national debt to more than $80 billion a year.

We cannot defend or justify "business as usual" when doing so entails the continuation of programs that serve no useful purpose, regulations that are more trouble than they are worth, and subsidies that benefit a select few at the expense of every taxpayer.

The President has pledged to cut the rate of growth in Federal spending. Over the last three years the Federal budget has grown by nearly 16 percent a year; President Reagan wants to reduce that to about six percent in 1982 and to show similar restraint in subsequent years.

That will be possible only if we can break the recent pattern of bigger and bigger budgets, financed through higher taxes and deepening deficits. The President's FY 1982 budget request marks the point of departure from that ruinous route to a new course of fiscal responsibility.

We must understand, of course, that we will not end a long string of budget dificits in one year--or in two. Neither is it reasonable to expect in a growing nation and a growing economy that budget increases can be avoided in the years ahead. But they can be slowed--economies can be achieved. Let me emphasize that in trimming the DOT budget we have not done so capriciously but with careful consideration for the direction we believe transportation policy should take.

We have three policy goals in view:

One, to define the proper role of the Federal government in transportation matters.

Over the years, the Federal government has tried to do too much. In attempting, first, to assist the various modes in their formative years, and then--second--to effect social and economic changes through transportation programs, Washington has encroached on state and local prerogatives and intruded into areas of private sector responsibilities.

We must come back, I believe, to the realization that the nation's transportation needs can be met in large part by the private sector. When the private sector is allowed to operate competitively, with minimum regulation and maximum efficiency, the public will be better served and the cost to the taxpayer will be greatly reduced.

Two; a corollary policy goal is to return to the states, counties, and local jurisdictions the autonomy to deal with the transportation issues that concern their citizens alone. Public transit falls into this area, as do our secondary roads and our airports. While some overall Federal assistance may be in order, the Federal government--as a rule-- should not try to dictate transportation choices that concern only the people of a region, city or community.

Three; to phase out, reduce or eventually eliminate Federal subsidies to those systems and services that should be self-supporting--paid for by those who use or benefit from them. The only justifiable exceptions to this rule, in my view, are those services that benefit society as a whole.

Let me turn now to the DOT budget and talk more specifically about the programs and the funding levels proposed.

U. S. COAST GUARD

Consistent with the emphasis of this Administration on keeping both our active and standby military capability intact, the Coast Guard's budget has been retained essentially as proposed in the January request. Budget authority requested for 1982 is $2.19 billion, a reduction of only $10 million, which can be achieved through economies in the use of civilian personnel. Military personnel strength will not be affected.

Coast Guard's three major programs, Operating Expenses at $1.4 billion, Acquisition, Construction and Improvements at $375 million, and Research and

Development at almost $30 million all provide for growth in real terms over their 1981 levels, while Reserve Training at $51 million and Retired Pay at $288 million will continue at about their 1981 levels adjusted for inflation. To help offset future costs of those Coast Guard services which benefit specific users, the President has proposed the establishment of a graduated system of user fees. These fees will be phased in over a period of five years. Ultimately, the Treasury will recoup approximately $500 million annually, which will permit continued allocation of Federal resources to the non-recoverable costs of equipment acquisition, law enforcement and military preparedness.

FEDERAL AVIATION ADMINISTRATION

We are proposing $3.367 billion for the Federal Aviation Administration in FY 1982. Although this represents a budget savings of $476 million from the January budget estimates, it still provides for a slight increase over 1981 appropriations.

Our first and highest priority continues to be a dedication to the safety of our airport and airway system. We believe, however, that the President's goal of relief for the American taxpayer can be served by recovering more fully and more equitably the costs attributable to the civilian users of the system. In the legislation now being prepared, we will propose a schedule of user taxes for commercial and general aviation, representing their fair share of the funding needed to maintain a high level of airway safety.

We are also proposing to reduce the Federal airport grant program by about 45 percent through 1986, reflecting a change in the Federal role in essentially local affairs. The nation's largest airports in particular have the means to finance their own development work, and state and local communities have access to revenue sources sufficient to meet a portion of their capital needs. In our revisions of 1982 requests for FAA, the airport grant reduction of $300 million is our largest. Our amended program proposes grants of $450 million each year beginning in FY 1981.

Elsewhere in FAA our reviews of aviation activity forecasts, realistic procurement schedules, and a close analysis of actual requirements has established new levels for our Operations, Facilities and Research appropriations, reflecting reductions of $176 million in 1982 from the January estimates. Even after these reductions, however, FAA's Operations account at $2.4 billion will provide for a slight increase over 1981 appropriations while funding lower staffing levels in all activities other than air traffic control centers and towers. Procurement of facilities and equipment will be funded at $353.7 million in FY 1982, but of that amount $30 million will be taken from our proposed deferral of all 1981 site-specific Congressional additions which had not met FAA's needs criteria for inclusion in their original request. FAA's R&D programs, now combined under a single trust fund account, will be funded at $104.8 million, the same as the FY 1981 level. We are also proposing $100 million in new commitments under the Aircraft Loan Guarantee program, and more precisely targeting this lower level of guarantees for aircraft engaged in localized service.

FEDERAL HIGHWAY ADMINISTRATION

Our comprehensive legislative proposal dealing with the highway program was submitted to Congress on March 17. In it, we have not recommended a tax increase to raise Highway Trust Fund revenues. Instead, the bill proposes economies which will permit the program to live within its means.

Today, I will not discuss category by category details of our bill, but will talk in terms of budget totals. In the Federal-Aid Highways budget, we propose total obligations equal to the total budget authority proposed in the bill for this program: $8.3 billion. The obligation ceiling for Federal-Aid Highways is proposed to be $8.15 billion with the usual exemption for Emergency Relief, and with a new obligation rate control intended to assure we can attain the outlay reductions included in the President's budget proposals. In addition to the basic Federal-Aid program, we propose financing Interstate Transfer Grants-Highways at $200 million and funding of the Appalachian Development Highway System program at $215 million, both to be funded from the Highway Trust Fund. In round numbers then, FHWA's total program is $8.7 billion, a reduction of $2 billion from the budget of the prior Administration, including the Appalachian funds.

We believe that if we are successful in finally re-defining the Interstate system, for completion by 1990, we will be able to divert more capital funds--but at somewhat lower levels--to the bridge repair and Interstate maintenance programs. Through 1986 we hope to produce budget savings of $11 billion compared to the previous Administration's highway funding proposal.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

For the National Highway Traffic Safety Administration, we are requesting $170 million. To operate within this level, we propose to make the best and most effective use of highway safety grants by restricting eligibility to areas that have shown the greatest potential for reducing deaths and injuries. Alcohol programs and emergency medical services are examples. Another eligible use is 55 mph enforcement. However, unlike previous years, no specific appropriation for 55 mph enforcement will be sought. We expect the States to continue their ongoing highway safety programs, 98 percent of which are already funded from state and local sources. This restructuring of the so-called

"402 program" will save $100 million. The related operations and research program provides for an increase of $8 million over the 1981 level, the principal growth being for improved statistical data in support of motor vehicle safety.

FEDERAL RAILROAD ADMINISTRATION

For the Federal Railroad Administration, our budget calls for $1.04 billion in FY 1982, a rather substantial reduction--$795 million--in the funds requested in the Carter budget. We do so in the belief that the costs to the taxpayers for the operation of certain rail services are far out of proportion to the benefits accruing the general public.

There are four areas of rail operations that particularly concern us.

First, Conrail--we believe--must be redefined. To date Conrail has cost the taxpayers more than $3 billion and its prospects for profitability, in its present form, remain doubtful.

We realize, of course, that the region served by Conrail must be served by efficient, stable rail freight service. That service is only possible if it is returned to the private sector and restructured in some manner to remove impediments to private sector takeover. The restructuring would be accomplished by the following:

--Separate passenger and commuter services along the Northeast Corridor from freight operations, so they can be operated by a full-time passenger management, and not as a distraction to efficient freight operations.

--Reform the labor protection provisions to provide fair and equitable severance pay, retraining assistance and hiring priorities. Labor protection will be viewed as a temporary social cost, not a cost of operating a railroad.

--Reorganize operating responsibilities in the Northeast Corridor so that Conrail's freight operations do not bear an inordinate share of terminal operation costs. The high costs of terminal operations in the Corridor have made even profitable railroads reluctant to accept responsibility for freight terminal and switching facilities.

We believe that once these problems are addressed and corrective legislation is enacted, Conrail's assets will become attractive to private railroads as prospective purchasers, and Northeast rail service will become an integral part of a national system.

Second, Amtrak--after 10 years of operation--has failed to attract more than one percent of the traveling public and has fallen far short of paying its own way. In fact, Amtrak passengers pay only 40 percent of the operating costs. Even the railroad's highly-touted fuel efficiencies cannot be defended over much of Amtrak's system. Consequently, the Administration submitted authorizing legislation on March 17, 1981, that will require that Amtrak's revenues, including contributions from State and local governments, cover at least 50 percent of the Corporation's operating costs beginning in fiscal year 1982. To achieve this goal, the Amtrak Board will need to take a combination of actions, including system-wide fare adjustments, elimination of routes that are the most poorly patronized and institution of other operating economies.

The future of rail passenger service lies in service along well-traveled high-density corridors, where traffic levels along with funds provided by states and communities can cover a high percentage of the operating costs.

Third, we are reorienting the Northeast Corridor project to emphasize safety and reliability at a reasonable speed rather than high-speed service as the primary objective. Seventy-five percent of Corridor riders are commuters who travel short distances. Dependability and convenience are more important to them than speed. By cutting out electrification north of New Haven, and some of the other more costly rail improvements associated with high speed operations, we can save $310 million over the next four years.

Fourth, we propose to eliminate the Federal rail assistance program for low volume branch lines. Since the benefits have been primarily local, this program is another example of Federal involvement in matters better relegated to state and local responsibility. We have proposed application of the $80 million appropriated in 1981 to finance pending supplementals and we propose no funding in 1982.

For other rail programs, we are requesting a total of $220 million to fund administrative costs, Railroad Safety, Minority Business Resource Center, Railroad Restructuring, and Research and Development at about their 1981 appropriated levels. We are also proposing continued capital support for the Alaska Railroad, but we will be applying increasing attention over the next year to removing responsibility for this intrastate railroad from the Federal budget by turning it over the either the state or a private operator who can guarantee continued operation of essential services.

URBAN MASS TRANSPORTATION ADMINISTRATION

The transit legislation submitted to Congress on March 17, 1981 reflects the Administration's commitment to assist transit agencies through increased capital support for bus and rail modernization projects and reduced Federal intrusion into operational decisions better left to local decisionmakers. This policy is reflected in our FY 1982 budget request for UMTA of $3.769 billion, a reduction of nearly $1.4 billion from the Carter Budget.

We believe the goals of public transit will be better served by changes in the Federal approach. For one, transit funds should be directed to where the public benefit is clearly demonstrated. Capital expenditures will be targeted to systems already under construction, or to those that are already an effective part of an urban transportation network. In this way, bus and existing rail systems will receive much needed funds for rehabilitation and modernization. Second, we will maintain mass transit operating subsidies at the projected levels for 1982, but begin phasing out these subsidies in 1983 with the purpose of ending them by 1985. To cushion the temporary difficulties caused by this phase-out of Federal assistance, the remaining transition funds will be concentrated on those large urban areas that provide the most transit service. Based on our review, we believe it is very important for operational costs to be tied closely to the communities, and to allow those communities to determine transit fares, service levels, labor practices and other issues of local concern. A careful analysis of transit history suggests that the availability of steadily increasing Federal transit funds, along with the Federal regulatory requirements, have contributed to the sharply rising costs of transit operations. By eliminating Federal operating subsidies, local officials will be able to make operational determinations without the additional burden of excessive and costly Federal requirements.

For other UMTA programs, we propose funding for Non-Urban Formula Grants at $75 million, or about the 1981 level, and for Research, Training, and Administration a total of $99 million, an increase of $12 million over the 1981 appropriation to continue progress toward UMTA's goal of more efficient program delivery.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

For the St. Lawrence Seaway Development Corporation, the FY 1982 budget projects revenues of $11.6 million, program costs of $11.6 million, and debt redemption of $2 million. To meet these obligations, the Corporation plans to utilize $1.5 million from its existing balances and $0.5 million of its unused borrowing authority.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

We are requesting an appropriation of $30 million for the Research and Special Programs Administration for FY 1982. This funding will allow for high priority support for our safety programs in hazardous materials and pipeline transportation.

It represents a savings of $21.7 million from the January budget request, most of which, $17 million, will be realized from termination of Federal participation in the Cooperative Automotive Research Program. We will be relying on market forces to spur basic research in automotive technology leading to increased fuel efficiency--a major goal of this program. We now expect that all five major automobile manufacturers will be able to exceed the 1985 average fuel economy standard of 27.5 miles per gallon on their own initiative to meet competition. We also believe the automobile companies rather than the Federal government are in the best position to decide what kind of research to undertake and when to do so. For these reasons it would be an inappropriate use of Federal funds to continue support of this research effort.

OFFICE OF INSPECTOR GENERAL

For the Office of Inspector General, we are requesting a program level of $24.3 million. This Administration will be looking to the Inspector General to pursue his search for waste, fraud, and abuse by concentrating his focus on high payoff areas of the Department's operations. To help the Inspector General to continue to vigorously carry out the mandates of his office, we are proposing no actual reduction from current staffing levels through fiscal year 1982.

OFFICE OF THE SECRETARY

For the Office of the Secretary, we are requesting appropriations totalling $49.5 million for FY 1982. This request will allow for continued support of transportation policy direction and coordination and will provide for administrative and housekeeping costs. We expect to accomplish research in support of policy decisions at reduced levels than previously proposed by concentrating on studies and research which support short-to-mid-term policy decisions, and which lead to decreased Federal involvement in State and local transportation policy decisions and areas of private sector responsibilities.

CLOSING REMARKS

In addition to the budgetary and legislative reforms which I have described we are also involved in a thorough examination of our most costly or controversial DOT regulations.

You will recall that in his economic recovery message President Reagan stressed the costs--in higher prices, higher unemployment and lower productivity--of over-regulation. In compliance with the actions he has directed, we are putting our Department's regulations to the acid test. Do their benefits exceed their costs? Do the existing regulations involve the least cost to society or is there an alternative approach that would do the job better? Or, the most crucial test of all: could we live as well, or better, without a particular regulation?

We look upon this as a priority project, with the findings generally due by July. We are also engaged in a longer range look at all the regulations in our Department and in this endeavor we will be soliciting the views of industry and the public.

We look upon our budget request, our legislative proposals and our regulatory review as a "new beginning" toward a more rational, a more equitable and a more effective national transportation policy. We look forward to this Committee's views and contributions, since we share, certainly, a mutual interest in achieving a healthier economy and a more efficient, productive transportation system.

This concludes my prepared statement. We would be glad to respond to the Committee's questions.

DREW LEWIS
SECRETARY OF TRANSPORTATION

Drew Lewis, a business management specialist from Philadelphia, Pennsylvania, was sworn in as the nation's seventh Secretary of Transportation on January 23, 1981.

He had been nominated for the post by President Reagan on December 11, 1980, and won Senate confirmation on January 22, 1981.

Before his appointment to the Reagan Cabinet as head of the Department of Transportation, Lewis had served since August 1980 as Deputy Chairman of the Republican National Committee.

Long active in Republican politics, he was deputy political director of the Reagan-Bush Campaign Committee during the 1980 election, was the Republican candidate for Governor in his home state of Pennsylvania in 1974, and a Republican National Committeeman since 1976.

For more than two decades, Lewis, 49, had a successful business career, chiefly as a management consultant and problem-solver engaged in revitalizing faltering companies. He headed his own consulting firm, Lewis & Associates in Philadelphia since 1975.

In the transportation field, Lewis served as one of two court-appointed trustees of the Reading Co. of Philadelphia. From 1971 to 1980, Lewis, in his role as a co-trustee, guided the reorganization of the bankrupt Reading Railroad and its eventual conveyance to the Consolidated Rail Corporation (CONRAIL). The Reading Co. was reorganized under the Federal court in December of 1980.

Earlier in his career, Lewis was hired by two major national corporations for the purpose of turning around their declining operations. In both instances he succeeded--as president and chief executive officer from 1970-1974 of Snelling and Snelling Inc., a national personnel placement firm then located in Philadelphia; and as president and chairman of the board of Simplex Wire and Cable Co. of Boston from 1969 to 1972.

Lewis also served from 1960 to 1969 as vice president and assistant to the chairman of National Gypsum Co., Buffalo, New York, and as vice president of marketing of American Olean Tiles Co., Inc., a wholly-owned subsidiary of National Gypsum.

Lewis began his career in 1955 with Henkels & McCoy, Inc., a Philadelphia general contractor specializing in the utilities field. He rose through the ranks of that $200 million firm to the position of production manager and member of the board of directors.

In addition, Lewis has served as a member of the Delaware River Port Authority, on the boards of the Academy of Natural Sciences and the World Affairs Council, member of the board of managers of his alma mater, Haverford College, as a trustee of Temple University, and as president of the board of trustees of the Central Schwenkfelder Church in Worcester, Pennsylvania.

He graduated in 1953 from Haverford College near Philadelphia and received his Master of Business Administration (MBA) degree from Harvard in 1955.

Lewis was born in Philadelphia on November 3, 1931. He is married to the former Marilyn Stoughton, who also is active in politics and was elected to the Pennsylvania House of Representatives from the 147th District for a two-year term in 1978 and re-elected in 1980.

The Lewises also share an interest in aviation. She is a pilot and he has a student pilot's license.

They have three children: a married daughter, Karen Lewis Sacks, 29; and two sons, Russell Shepherd Lewis, 26, and Andrew Lindsay Lewis IV, 24. The Lewises reside on a farm in Schwenksville, Pennsylvania, 30 miles from Philadelphia.

DARRELL M. TRENT
DEPUTY SECRETARY OF TRANSPORTATION

Darrell M. Trent was sworn in as Deputy Secretary of Transportation on January 30, 1981.

Trent was nominated by President Reagan for the number two post at the Department of Transportation on January 9, 1981, and was confirmed by the Senate January 29.

Previously an Associate Director and Senior Reserarch Fellow of the Hoover Institution at Stanford University, he took leave from that post to serve as Deputy Campaign Manager and Senior Policy Advisor in President Reagan's 1980 campaign. During the transition period, he headed the President-elect's Policy Coordination Office.

Trent joined the Hoover Institution as a Senior Research Fellow in 1974 and became its Associate Director in April 1975. In that position he was responsible for financial planning, administration and government relations.

The Institution, founded in 1919 by former President Herbert Hoover, conducts research programs on contemporary international problems relating to social, economic and political change in the 20th century.

After an earlier career in business, Trent joined the executive branch of the Federal Government and served for five and one-half years in a variety of posts. From 1970 to 1973, he was Deputy Director and later Acting Director of the Office of Emergency Preparedness. In that position he managed the federal government's disaster relief program and was responsible for federal management policy of the national stockpile of strategic materials. He represented the agency as a member of the National Security Council and the Cost of Living Council, as well as various other councils, committees and boards.

From April 1969 until joining the Office of Emergency Preparedness, Trent was a Deputy Assistant to the President with responsibilities for domestic affairs policies and White House liaison with various federal departments and agencies.

Earlier he served briefly as a consultant to the President and as a Commissioner of the General Services Administration's Property Management and Disposal Service.

Before joining the Federal Government, Trent was chairman of the board and a major stockholder of five corporations he established. They were engaged in property development operations in Kansas, Missouri and Oklahoma.

Trent was born in Neosho, Missouri, on August 2, 1938, and was raised in Pittsburg, Kansas. He received his bachelor's degree from Stanford University in 1961, and then attended the International Law School at The Hague, Netherlands. He received a master's degree from the Graduate School of Business at Columbia University in 1964. He has been a licensed pilot since age 18.

Trent is married to the former June Yeardye and they have two sons, Darrell Michael Trent, 13, and Derek Montgomery Trent, 6.

PORTLAND LIGHT RAIL SYSTEM

Senator HATFIELD. I am very pleased to welcome the Secretary this morning to our committee. Secretary Lewis has a very outstanding record of public performance and I am very impressed by the way he has conducted his duties in this office that he now holds and we wish him continued success.

Mr. Secretary, as you know, I have been most concerned that the Federal Government honor a very definite commitment made last year by the Department of Transportation to fund the Banfield Light Rail System in Portland. Can you tell me, will that commitment be upheld and will the Portland system be funded?

Mr. LEWIS. Senator, as a result of the urging and cooperation we have received from your office and also from Senator Packwood's, we have reviewed this. As you know, this does not comply with the urban discretionary grant criteria of the Reagan administration's proposed budget. The Department of Transportation appealed this to OMB. We are prepared to live up to our commitment and we will fund the Banfield corridor project, not through section 3, but through interstate transfers. We recognize the importance of it to your area. We will support it and we thank you for the cooperation we have received from your office in this matter.

Senator HATFIELD. I thank you, Mr. Secretary. This of course is a parochial question, but it really does I think come to the heart of the whole basis of our society, which is one of contracts. If the contractual relationship were to break down, whether it be corporate or personal, it would be a breakdown in the very foundation of our society. So I really approach that issue because of the contractual relationships that had been made with the city of Portland.

Let me ask you one final question. Will the project be completed in 1985 as originally scheduled?

Mr. LEWIS. According to our plans, it will be completed on schedule and the funding will be provided as originally planned——

Senator HATFIELD. I thank you, Mr. Secretary, and I appreciate very much your support. And again, if you will excuse me to attend the Rules Committee. Chairman Andrews, I want to thank you for providing me this privilege of putting this question to the Secretary.

Senator ANDREWS. It is the chairman's privilege to have you with us. Come any time. You seem to get quicker and better answers than many of the rest of us.

Mr. LEWIS. I had heard that question a few times before.

JAPANESE AUTO IMPORTS

Senator ANDREWS. I am sure you have, Mr. Secretary, and I appreciate your candor and understanding. We will now proceed. Mr. Secretary, what has been the impact of Japanese auto imports on the U.S. industry and the economy, and how has this come about?

Mr. LEWIS. First of all, in this whole automotive problem, I think the import question has been put well out of context in relation to its importance to solving the automotive industry's problems.

The first and foremost manner in which the automotive industry will solve its problems is through the economic package—lower interest rates and less inflation. Without that, neither the automotive industry nor the housing industry or any of our basic industries can come back.

I don't want to give you a lot of laborious detail, but I want to try to put it in perspective. To properly finance either cars at a purchase level or at a floor plan level of a dealer, you need interest rates in the range of 12 to 13 percent, recognizing these people borrow at prime plus 2 or 3, and 15 percent seems to be about the breakeven point where they can satisfactorily handle their line of credit and where people will consume cars. Therefore, that is a top priority. Regulatory reform, as you are aware from our program of last Tuesday, is an important part of the package. There were some other matters—the smog decree and the FTC suit.

Obviously, another important part is the high level of Japanese imports. I think I should point out that in 1979, at the time of the Iranian crisis, there were 100 days of Japanese cars on wharfs all over this country, and we were rationing V–8 engines. It was no marketing genius of the Japanese that permitted them to invade our market to the degree they have. In February of this year, they were 24 percent of the domestic automotive market. Our concern and the concern of the administration is that if you look at their present manufacturing facilities with an increase in capacity of about 20 percent, and you look at the 500,000 to almost 1 million people—depending on whose figures you use—that are unemployed in the automobile industry, that we would like to throw a signal both to the unions in terms of their responsibility and to the industry in terms of being competitive, and placing considerable investment in the American market, which will again provide jobs.

We would obviously like to see a lower level of Japanese cars coming into our market, but we do not favor legislative restraints. We do not favor a formal negotiated, signed agreement. We feel that the Japanese should recognize, in their efforts to be a trading partner with us, that they have certain obligations, and one of them could well be to ease the tension and the pressure on the American automobile industry until they have time, by 1983 or 1984, to have the small cars they need to compete, not only in this market but in the world market.

The impact of this on—let's say we had a reduction, as the Danforth bill recommends, to 1.6 million from 1.9 million. It would actually reemploy, depending on whose figures you use, somewhere between 50,000 and 150,000 workers. It would not be significantly inflationary, as there would be offsets to this through reduction in unemployment compensation, TAA payments, and through accelerated capital investment by the industry. These, combined with what we realize would be a mix of volume and price, would probably have very little inflationary impact. It would also affect less than 3 percent of those purchasing cars in the country, if you use that figure.

But again, I do want to emphasize that the industry problems are not solely caused by Japanese imports. They are caused by not having the right product line, I think largely due to the fact that we never had a free market in gasoline and were unrealistic. Americans wanted to drive large cars too long.

NEGOTIATED AGREEMENT WITH JAPANESE

Senator ANDREWS. Mr. Secretary, according to press reports, an agreement on the Japanese car import issue remains elusive because they say the United States is reluctant to make explicit its request that Japan limit car shipments to this country, while Japanese officials say they need a clear and positive, unambiguous request in order to sell the idea in their country.

What is the argument against seeking a negotiated agreement?

Mr. LEWIS. Basically, the administration has taken the position of free trade. We want to see markets opened up in the world and more free trade than presently exists. Unfortunately, in the automobile industry there is no free market. The only place there is a free market happens to be in the United States.

Senator ANDREWS. Well, there isn't a free market in Japan from the standpoint of many of our products. As a beef producer, looking at their market for beef, which is four times the price that beef sells for in this country, conservatively, and in some cases of specialized steak it must be 10 or 12 times as high, we have a negative balance of payments in excess of $8 billion. Why don't we just candidly say, "Hey, if you start letting our products in then we will be better able to purchase your products."

Mr. LEWIS. That is obviously the same situation in the automotive industry. You ship a $10,000 car over there and it sits on the wharf in some clearance procedure for 6 months and by the time the consumer in Japan gets it, it is a $20,000 car. These are some of the concerns. That is why we have the briefing team over there, not to specifically negotiate anything on the automotive industry, but to explore the possibilities of how we can open up all the trade avenues with Japan.

BILATERAL AIR TALKS

Senator ANDREWS. Earlier I questioned your people about the bilateral air talks that are taking place in Tokyo this very day. They started yesterday, as I understand.

My concern was that it appeared that we had the team from the old administration going to do those negotiations. I understand you have turned that around.

Mr. LEWIS. Senator, you were most helpful in this matter. Specifically at your request, the State Department agreed to have the Department of Transportation lead this delegation and Frank Willis from our Department is over there now and will be handling these negotiations, along with a representative from the CAB and the State Department. This would not normally be the case for these kinds of negotiations. However, the State Department concurred in your recommendation and because of that, they will be leading that delegation.

Senator ANDREWS. And these talks will be largely exploratory because our new administration just simply hasn't firmed up their position on where we are going.

Mr. LEWIS. That is our intention; yes.

Senator ANDREWS. So it will take another round before we really get down to it.

Mr. Secretary, why are you opposed to nationwide rail passenger service?

Mr. LEWIS. Because in our evaluation, in terms of cost benefits or in terms of the needs of the communities being served by this, they can better be served by a different mode. Our position on Amtrak specifically is that it is and should be fundamentally a corridor-type passenger service. Specifically, we are probably talking about anywhere from 4 to 12 corridors. In those 4 to 12 corridors, we will serve 80 to 85 percent of the passengers presently being served by Amtrak. I recognize your feeling on this, with the line going through your State, but our concern is in areas where we have in some cases only 17 percent of the cost being covered by the revenue that is being produced, or an 83-percent shortfall. Those lines are not only not productive, but they never will be, and will never have the cost benefits we would like them to have.

For example, I think in the line going through your State, called the Empire Builder, we actually have on that particular line about a 37-percent recovery, about a 57-percent passenger load, and conceivably that could be one of the better lines we have in terms of long-distance service.

But the bottom line of it is that on most of those lines, the subsidies are extremely high. It is an average of $35 per passenger on Amtrak. I know you object to these statistics, but if you take them on the longer distance lines, it is higher. For example, on the Empire Builder I think it is about $85 per passenger as a subsidy.

Senator ANDREWS. I think the only way you can really compare them is on subsidy per passenger mile, which is probably a more accurate way.

Mr. LEWIS. Well, no matter how you compare it, we feel that your better service for long-distance passenger movement is through buses and not through Amtrak service.

Senator ANDREWS. However, Amtrak does offer a possibility, as we go back to moving mail on trains, of having a dual method of funding, and I appreciate your assuring me earlier that you were going to look into the possibility of restoring the railway mail cars where mail coming out of Chicago will be sorted by postal clerks on the train and dropped off at the various places and the old mailbag goes out and picks up the mail that is being dispatched from those towns.

Mr. LEWIS. There is no question that is a possibility and we will look into that, as per your suggestion.

Senator ANDREWS. Western railroads tell me that they never dropped a passenger train that had a mail contract, and I think the Amtrak people are concentrating on dead storage of mail while they transport it instead of the old concept of the railway mailclerk, where you were getting the sorting done and expediting the movement of mail.

Let me defer for a minute. Senator D'Amato, do you have some questions for the Secretary?

BUFFALO MASS TRANSIT PROJECT

Senator D'AMATO. Yes, thank you, Mr. Chairman.

Mr. Secretary, I note that on page 10 of your testimony you talked about capital expenditures and the fact that those transit funds will be directed to where the greatest benefit is clearly demonstrated. Specifically I am interested in a project that has been undertaken in the city of Buffalo, which has received a letter of intent from UMTA to complete the first 6½ miles of their light rail system. It is my understanding that they meet or exceed the 60-percent criteria for completion of that work. Will you continue to honor the start of that commitment to the city of Buffalo?

Mr. LEWIS. Senator D'Amato, we do intend to complete that commitment and I think I have the detail on that specific project—do I have that? If not, I will submit an answer to you in writing on that. We have reviewed all of the projects undertaken by UMTA and have a detailed list and I will see that you receive that.

Senator D'AMATO. All right. Let me just simply say for the record that that was designed as a 12-mile system, and in order to make that system wholly operational, the other 6 miles really are necessary to be built. The question is how do you see that work proceeding and how will UMTA participate? How much of the $124 million this year will be allocated, and will it be $16.2 million in 1982?

Mr. LEWIS. I have the detail now. I just found the book here. We are planning to fund it to the tune of $212 million—$124.8 million in 1981, $16.2 million in 1982, and $6.8 million in 1983.

ACQUISITION OF CONRAIL PROPERTIES

Senator D'AMATO. That is good. I know the people in Buffalo will be happy to know that that project is going to proceed, Mr. Secretary, because there has been quite a bit of money already spent and I think it would be a terrible travesty if that were held up. I am delighted that you bring us that good news.

One of the things that you tell us, Mr. Secretary, is the necessity for curbing the kinds of costs that seem to have led us into great problems. I am talking specifically about Conrail. I see the press accounts say the administration wants to sell Conrail to other railroads or to abandon it.

It seems to me that the alternative was explored prior to the transfer from the various bankrupt roads to Conrail and that was rejected. That is in terms of the acquisition by other lines. One of the reasons is that you have labor agreements that railroads just cannot live with. How do we intend to address that? How will you address that question? After $5 billion has been lost in 5 years, do you think the profitable lines are going to buy those areas of Conrail that you would like to sell? Will it not mean an abandonment of certain service? How does the sale of Conrail relate to those people who are transported into New York from the Westchester area down into New York City?

Mr. Lewis. First of all, the newspaper account that you have of the administration's position on that must be inaccurate. We have no intention to either dismantle or abandon Conrail. We recognize the importance of the freight service to the Northeast and Midwest, and our objective is to improve it. To accomplish this requires three steps prior to either marketing Conrail, if that is what we decide to do, and they are specifically this. One, to repeal title V and replace it with a Milwaukee-type plan of labor protection, which fundamentally separates the social cost of labor protection from the operation of the rail system. We have submitted to Senator Domenici yesterday a supplement to our budget to provide approximately $400 million to solve this—$200 million under the Staggers Act and $200 million which we are recommending be added to the budget. Once we have accomplished that, we have at least a rail system that is as efficient as other rail systems are. Now, as you know, Conrail has labor costs that are somewhere between 8 and 10 percent higher than any other railroad operating in this country, and that is a burden that we placed on them and it is a burden that we have the responsibility to see is removed.

The second thing is that which concerns you, the Westchester commuter lines. We feel that all of the commuter lines should be turned over to the local authorities, in this case the Metropolitan Transit Authority. In Philadelphia it would be SEPTA where the Reading lines and the Penn Central lines exist. We are prepared and we are adding to our budget funds to cover operating costs for these lines. We don't know specifically what it may be. Presently Conrail claims they are losing $10 million a year on their commuter system. We are adding into our budget $50 million to be spread over at least the next 3 years. We may have to add additional funds once we analyze those systems. We feel those systems should be operated locally. They should not be part of the freight system, and the Federal Government has an obligation to see that the local communities are not burdened by these systems, but rather benefit from them.

The third area we have to look into in Conrail is to look at the expensive terminals that run all the way from your area right down to Washington. Some of these, for example Port Reading, could be a very fine coal port. We think that could be turned over to private industry and compete with the Norfolk port, probably the two best east coast coal ports we would have. We think the other terminals should be operated by two or three railroads that are benefiting from that freight, and not operated as they presently are with all the burden on Conrail.

SALABILITY OF CONRAIL

I think we have to bear in mind that Conrail is a short haul railroad that generates about 12 to 13 percent of the total freight in the railroad business in this country. To say that it is not salable I think is inaccurate. If you remove the burdens of commuters and the burdens of labor protection, at that point you have a system that generates very important incremental freight to other rail lines, and it is inconceivable to me that a western railroad such as the Santa Fe or Union Pacific, would not want to benefit from the traffic generated on Conrail. You have to realize in the railroad business it is not the first 30 cars you make money on, it is the last 10.

So we could end up with a railroad in the West and certainly the Chessie and Norfolk and Western, buying portions of Conrail. Through that method we think we will not only have better service, but we will have assurance of continued service. The way it is going now with Conrail it is going to be choked by the Chessie and the Norfolk and Western, and it is not going to have the advantages that we presently see in all these mergers of larger railroads.

If we are unable to sell Conrail, and if our program is inaccurate in terms of people having an interest in this, which I do not feel will be the case, we still have a better railroad because we have gotten rid of excessive labor protection costs, the commuter side of it, and we have helped solve the terminals problem. So no matter where we go, we think this is the right direction. It is a 1- to 2-year program, and for that reason we would like to proceed along the lines recommended by the Department.

Conrail—I operated part of it and Bob Blanchette, who is our Federal Railroad Administrator operated the bulk of it—has no possibility of ever being anything more than a marginal, breakeven, or conceivably slightly profitable railroad. As it is presently constituted, it can never even be profitable.

Senator D'AMATO. Well, Mr. Secretary, I want you to know that on two accounts you have eased the trepidations and fears I think a lot of people have who have been reading accounts that would lead them to believe the commuter lines that account for carrying more than 100,000 passengers daily into the metropolitan regions along the Hudson will not be literally abandoned. That is the kind of impression, believe it or not, that comes through.

I would hope that in the fullness of time we would be able to develop some more dialog so as to allay the fears of many of the local officials and many of the public who have been speaking to us. I find your words rather reassuring in that direction. Particularly I want to commend you on the decision to go ahead with that Buffalo project, which is one that has been in the making for a long time. I am sure that the mayor, the county executive, and the other local officials will be gratified when they learn of your commitment that you have made today. I thank you for your cooperation.

Mr. LEWIS. Thank you very much, and I enjoyed working with you on the Buffalo project.

Senator ANDREWS. Thank you, Senator. Senator Byrd?

MASS TRANSIT GRANT FOR WEST VIRGINIA

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, I wrote to you on March 17 with respect to the $6 million Urban Mass Transportation Administration grant that had been approved for Charleston, W. Va. The date of the approval was last December. I pointed out in that letter that the approval of the grant, although it had been made, that the grant itself appeared to be in jeopardy because of the new administration's proposed budgetary rescissions and cutbacks.

I stated at that time that the capital city of Charleston had experienced an increasing loss of economic vitality as its downtown area had grown older and deteriorated, while the federally funded highway programs had opened up suburban areas to major retail and residential development.

The city officials devised a downtown revitalization plan in 1977 for which $14 million in urban development action grant funding had been obtained from the Department of Housing and Urban Development. That grant was to provide the leverage for a private sector investment of more than $100 million in the city for the development of a large Marriott Hotel and the development of a shopping center complex. The $14 million was approved for the construction of hotel parking, the rehabilitation of the downtown civic center, and the development of a pedestrian mall.

I stated that earlier, an $18 million arena was constructed with funding from EDA, and the Department of Housing and Urban Development, and from the issuance of revenue bonds.

I also pointed out that the revitalization effort included a modern and efficient mass transit system, and that that system, at a cost of some $25 million, would provide fringe parking to allow city and statehouse employees to park in the peripheral areas, and to take convenient buses to work and relieve traffic congestion and leave the regular downtown parking spaces for commercial and visitor parking.

The funding for the development of the mass transit system had been sought from the urban initiatives program of the Urban Mass Transportation Administration. Last fall an initial planning grant of $856,000 was awarded to the city for feasibility studies and planning. These funds, together with $214,000 of city funds, have been expended on the first phase and project planning is well underway.

Last December I was notified of the approval of an additional $6 million for the project in urban mass transit funding. The $6 million UMTA grant would specifically finance the development of the transit mall portion of the undertaking to centralize the public transportation system and develop a pedestrian walkway to bind the city's new commercial center to its current retail center, as well as to finance the relocation of the bus station from the walkway area to the fringe parking area adjacent to the civic center.

The fiscal year 1981 Senate Appropriations Committee Report recommended the continued funding for the Charleston mass transit project. Both the city and the private sector developer have relied upon this funding, as it was approved last December.

I received your response to my letter today, in which you stated as follows: "We, however, recognize the merit of the Charleston project and the impact it will have in reinforcing the ongoing revitalization efforts precipitated by the town center retail development. Although urban initiatives program funds will not be available to finance the transit terminal, nothing precludes the city from resubmitting its proposal and applying for funding under traditional UMTA capital funding resources."

Would you State what is being done to carry forward the Department's commitment to allocate this $6 million?

Mr. Lewis. Basically the intention of our letter was to indicate to you, at your urging and concern for Charleston, that we are prepared to consider this and act favorably on an application under our discretionary grant program. As you know, only the urban initiatives under construction are going to be funded for completion, those to be completed in 1981 and 1982.

So we think the method, and we are not trying to create a lot of paperwork here, but since we have eliminated that particular program, or are recommending it be eliminated, that a project that has the merit of this type of program should be now considered under our discretionary grant program. We would be pleased to work with you and your staff and the officials of Charleston to assist in seeing that application is properly constructed and favorably considered in our Department.

DISCRETIONARY GRANT PROGRAM

Senator BYRD. Tell me about the discretionary grant program. Will that suffer any reduction in funds?

Mr. LEWIS. There are limitations on the discretionary grant program. However, particularly a project of this relatively small magnitude in total dollars, is not a great burden on the funds available. Walt, do you have the funds available for the discretionary grants so we can give him the total dollars?

Actually in discretionary grants we will have approximately $1.7 billion in 1982, $1.6 billion in 1983, $1.7 billion in 1984, $1.9 billion in 1985, and $2 billion in 1986. So in relation to the project that you have a great concern about, we do not see this as a great burden to the Department and it is something we should support.

Senator BYRD. We are talking about $1.7 billion in——

Mr. LEWIS. Urban discretionary.

Senator BYRD. Urban discretionary grants in fiscal year 1982 of $1.7 billion, whereas the program level for fiscal year 1981 estimated was $2.1 billion, and as revised was $1.9 billion. And that would indicate a reduction then of what, something like 20 percent or more?

Mr. LEWIS. Approximately. However, the figures I have here, which may be wrong, but I have the existing levels authorized in fiscal year 1982 is $1.6 billion and 1983 is $1.58 billion. We are recommending $1.725 billion and $1.615 billion, so we actually show a slight increase. Is there some problem with those figures, Walt?

Senator BYRD. So, what are you saying now? Are you saying there might be an alternative means from which the allocation can be drawn down?

Mr. LEWIS. Yes, sir.

Senator BYRD. Would you state that a little more clearly for the record?

Mr. LEWIS. Clearly for the record, we are recommending, in conjunction with your staff and the officials of the city of Charleston, that we apply or you apply for funds through our discretionary funds, and we are prepared, with the proper application, to act favorably.

Senator BYRD. You are prepared to act favorably?

Mr. LEWIS. Yes, sir.

Senator BYRD. Is this because in your judgment the city officials acted upon the representations of the Department as a result of its indication last December that the item would be funded?

Mr. LEWIS. That is part of our reaction. However, most importantly we think it is a worthwhile project and if we did not feel it was a worthwhile project we would come back and attempt to convince you that it did not deserve funding. We think this particular project does deserve funding, therefore it merits consideration under our discretionary grant program.

Senator BYRD. I appreciate that. I would say for the record that I was assured that the funding would be forthcoming and I relied upon that. The city officials were assured that the funding would be forthcoming and they relied upon that. The private sector was assured that the funding would be forthcoming and they relied upon that. So you have all of these reliances, in addition to the fact, as you have indicated, that it is a very worthwhile project. And if I understand you correctly, you feel that this money can still be relied upon.

Mr. LEWIS. Yes, sir.

Senator BYRD. So my staff, working with your staff, and in conjunction with the mayor and his staff in Charleston, may then be assured that we can work together and that the private sector and the city of Charleston can still rely upon this funding. Am I safe in assuming that?

Mr. LEWIS. That is correct.

APPLICATION PROCESS

Senator BYRD. How much delay would be involved in reapplying?

Mr. LEWIS. As far as I am concerned, there is no need for any delay. You have indicated your concern in your letter. Unfortunately, the reason your letter was not answered more promptly is that we just went through this finally and completed it this week. The detail that we had to go through to compile this budget and the time limitations we had made it extremely difficult. So we have just completed it this week and we can start tomorrow working with your staff to restructure whatever paperwork has to be restructured, which I am not familiar with, in terms of applying for a grant of this type. Can anybody give a specific timeframe on this?

Working through UMTA I have been told we can probably complete the application within 2 weeks.

Senator BYRD. So the application can be expedited?

Mr. LEWIS. We will expedite the application. Unfortunately the UMTA Administrator is not here but I am making a commitment for him of 2 weeks. He was not confirmed earlier, so we did have that problem.

Senator BYRD. Along that line may I say that we on the minority side are not providing the stumbling blocks for confirmation.

Mr. LEWIS. No; that is for certain and we appreciate that very much.

Senator BYRD. We are expediting. We are doing what we can to expedite.

Well, you have been very responsive and very reassuring, Mr. Secretary, and I am very appreciative. Let me hurriedly skip on to another item or two, Mr. Chairman, and I will not impose on the time of the committee. I will submit for the record certain questions which I would ask to have answered for the record.

Senator ANDREWS. We would be more than happy to do that.

KANAWHA AIRPORT INSTRUMENT LANDING SYSTEM

Senator BYRD. As to the Kanawha Airport instrument landing system, page 19 of the Senate report accompanying the 1981 Department of Transportation and related agencies appropriation bill included the following passage: "The committee has also provided funds for an instrument landing system at Kanawha Airport in West Virginia."

This is a project that is very important to our citizens in West Virginia and I would like to ask what the status of the project is and what can be done to move it.

Mr. LEWIS. Deputy Secretary Darrell Trent will answer that question. He has been working in that area.

Mr. TRENT. We are in the process of reviewing, based on the criteria that we have for funding available for projects such as this. This is one of the projects that we have included in a deferral of $30 million in the FAA's appropriation attributable to congressional add-ons. These add-on projects will all be accomplished in time but they must now, under the President's 1981 program reduction, await their turn in response to established priority criteria. I can't give you the exact position that this would stand in relationship to when it would be, but it is a deferral rather than a cancellation.

Senator BYRD. What is your latest estimate of the cost of the Kanawha instrument landing system?

Mr. TRENT. We will have to supply that for the record, Senator.

[The information follows:]

Estimated cost to establish the instrument landing system at the Charleston (Kanawha), W. Va., airport is $628,000.

WEIRTON STEUBENVILLE BRIDGE

Senator BYRD. All right, we will be following that matter with continuing interest and will be in touch with you about it from time to time.

During the hearing recently when the Federal Highway Administrator appeared before the subcommittee, I discussed the situation with regard to the Weirton Steubenville Bridge. The chairman of the subcommittee is aware of my concern about the project. I want you to know, Mr. Secretary, that this is a very high-priority item with me. The design of the bridge will be completed later this month or early next month. The construction of the bridge has already been started. The piers have already been completed, and I believe something in the order of a little more than $3 million was spent to build the piers.

One span of the existing bridge was built in 1905. It is so weak that it allows only automobiles, no trucks. And even then the automobiles must stay 100 feet apart. The so-called sufficiency rating of the bridge is 7.

Mr. Barnhart, the Administrator, has been very cooperative. I would appreciate it, Mr. Secretary, if you could take a look at this matter and give it your personal attention also. Would you do that?

Mr. LEWIS. I would be pleased to do so. As you know, that is presently under study and we have talked to your colleague about this matter also.

Senator BYRD. All right, Mr. Chairman, I will submit additional questions for the record and I thank you, and I thank you, Mr. Secretary.

Senator ANDREWS. Thank you.

SUBSIDIZATION OF NORTHEAST CORRIDOR

Mr. Secretary, to return to Amtrak for a minute, you have acknowledged in a letter accompanying your legislative package that Amtrak will never become profitable. If you admit to that fact and then continue to support the Federal Government subsidy of Amtrak, how can you come before the Senate and ask that everybody else give up their routes so that only the Northeast corridor can be subsidized?

Mr. LEWIS. Well, we are not recommending that only the Northeast corridor be subsidized. That was a comment made by Alan Boyd, not by us. We think through a slight revision in rates, through a reduction in capital expenditures which can take place, through elimination of a number of unprofitable lines, through a reduction in the shutdown costs that are presently being considered, that approximately $150 to $200 million of the total appropriation can be made available for lines outside of the Northeast corridor.

We have analyzed in some detail all the corridor lines in the country. We did submit some of the detail yesterday on that. We at this point really are not prepared to give you which lines can or cannot be included under the $613 million, which I know is what you would like to have. We hope to be able to provide that. We are working with Amtrak and we hope to be able to make that available in a very short period of time. I am saying now within 1 or 2 days or 1 week.

Senator ANDREWS. Well, if you can provide the subcommittee with a package of routes and/or the criteria based on ridership and cost——

Mr. LEWIS. That was either submitted yesterday or is somewhere en route to you.

Senator ANDREWS. If you will give us that package so that we can keep the system national within the confines of your budget, it would be most helpful to the committee in markup.

Mr. LEWIS. The one thing we should point out for the record is that the Northeast corridor is over 50 percent of the traffic of Amtrak, and it is also in terms of cost benefit, the particular line that has the greatest benefit in terms of pollution, energy, parking, highways. And again, we feel that the corridors are the areas that we should be supporting, San Diego, Los Angeles, Chicago, and the long-distance lines are the ones that are a tremendous burden and in our judgment at least, not either a fuel-efficient or economic way to serve passengers. Perhaps with this mail recommendation you are making, we may be able to come up with a more satisfactory solution, at least one that would keep more of the long-distance lines open.

EFFECT OF INCREASED AVIATION ACTIVITY ON RAIL PASSENGER SERVICE

Senator ANDREWS. We would like to see that happen. Also, when other people in the Department of Transportation have come up we have pointed out to them the fact that sometimes the right arm of Government doesn't know what the left arm is doing.

When Mr. Boyd was here I pointed out the fact that your FAA, which controls Washington National, is allowing 40 more slots, contributing to the noise pollution that bothers you and me.

We certainly hear the noise of those planes coming in and out, and by adding those 40 additional slots for a commuter-type aircraft, essentially what you are doing is taking those passengers off Amtrak. Boyd testified to the fact that if they didn't keep siphoning more off, we would probably have a better chance of making that Northeast corridor more profitable.

So perhaps by cutting back the increase in flights out of National on short-haul terms, we could turn some of those over to Amtrak and do much better.

Now in reaching decisions on Federal investments in transportation projects, what regard do you give to the impact of one mode on other competitive and connective modes? It seems that one subsidy begets another subsidy because often we actually subsidize competition within and between modes of transportation. Perhaps that is preventing one mode from achieving their inherent advantages. Certainly rail transportation is far more effective from the standpoint of energy consumption than is air transportation. Here we have one hand doing one thing and negating what the other hand is trying to do.

Mr. LEWIS. Our thrust, Mr. Chairman, is to attempt to have the Federal cost of all modes financed through user fees. We can do this, and we are recommending it be done. In the case of the FAA, not only are we going to finance the airport construction cost of the FAA, but also the new traffic control system, which will probably cost about $10 billion over the next 10 years. We can do this in highways through the gasoline tax, and we think the 4-cent tax at the present time at least is an adequate level to finance our programs. We can do this with the inland waterways and locks and dams, although it will take some time until we are able to make that 100 percent. In the case of rail transportation, we think this is not feasible. There is no way that we are going to make the mass transit, in terms of the farebox, a user-fee financed program. The farebox is a user fee and there is no way that the farebox will ever be able to substantiate the cost of operating those systems. We recognize that. We do feel in the case of mass transit that our role should be capital expenditures and not operating, since we only are 13 percent of the total operating costs.

We recognize that in the Washington National Airport situation you are talking about, that one of the considerations should be commuter service from Philadelphia, places like that where there is very adequate Amtrak service. We are reviewing those matters, but our basic thrust is to try to make everything carry itself. It will not be possible in mass transit nor Amtrak. I don't think no matter what we do in Amtrak—nor should it necessarily be our objective to make Amtrak profitable. The profit you get from Amtrak is the fact that you are getting more cars off the highways, you're cutting down highway costs, you're cutting down parking problems and all the other problems that are attendant with more automobiles on the highway.

Senator ANDREWS. But Mr. Boyd's statement in essence pointed up the fact that by attracting potential passengers from Amtrak onto airplanes by making yet more slots available, even at the expense of other destinations out of National Airport, they are in effect raiding his passenger growth curve, which could make that Amtrak segment between Washington and Philadelphia and Washington and New York ultimately profitable. And he seems to think that there was a good deal of merit in that, and maybe that is one of the ways we are going to have to go, to say let's not increase these facilities for one mode of transportation when the Government is already providing another mode that is more cost effective from the standpoint of energy consumption.

Mr. Secretary, we touched briefly on aviation as well——

Senator BYRD. Mr. Chairman, would you yield for a question with respect to Amtrak?

Senator ANDREWS. I would be glad to yield.

STATISTICS FOR WEST VIRGINIA AMTRAK LINES

Senator BYRD. Mr. Secretary, would you provide for the record the facts and figures relating to the three Amtrak trains that serve West Virginia, the Blue Ridge, the Cardinal, and the Shenandoah? Would you include such facts as the passenger-mile per train-mile, the loss per passenger-mile, and any other factual information you think appropriate, and compare these figures with the system as a whole and with your criteria or goal for retention?

I am advised that the Blue Ridge has 193 passenger-miles per train-mile, which is I am told the best rating of all 20 short-distance lines in the system, and compares favorably with the average of 94 passenger-miles per train-mile for all of the short-distance lines. And could you state for the record what your plans are for these three lines, your rationale for the decision, and indicate also how the three trains would each fare under each of the three funding levels?

The House Budget Committee is discussing a $792 million funding level for Amtrak. The administration proposes a $613 million funding level, and the previous administration proposed a $993 million level.

Mr. LEWIS. Yes, I would be pleased to do so. We do have that detail and that can be submitted for the record very promptly.

I would point out, which is one of our great concerns, that the lines that you are mentioning are some of the least economical on Amtrak, in fact specifically the Washington-Cincinnati is the least economical of all lines. It would be cheaper if we gave people airline tickets to cover that route and shut down the rail lines. So we do have a problem in those specific areas. We will submit for the record our concerns.

Senator BYRD. I realize what you are saying is true but the Cardinal has improved its ridership I think to the point that it is not very far from reaching the criteria that you have laid down. It seems to me that the number of passenger-miles per train-mile is projected to be something like 121 or 122, and the cost is 9 cents, I believe, which is a little above the 7 cents that I understood was established as a criteria for continuation.

Mr. LEWIS. Yes, we will submit that.

Senator BYRD. But the Blue Ridge is doing much better. It has 193 passenger-miles per train-mile which is the best record of all short-distance lines. Thank you, Mr. Chairman.

[The information follows:]

FACTS AND FIGURES RE TRAINS SERVING WEST VIRGINIA

The following table contains statistics for the West Virginia trains and for the system as a whole.

	1980			
	Cardinal	Shenandoah	Blue Ridge	Systemwide
Passenger-miles per train-mile	87	40	193	153
Short-term avoidable loss per passenger-mile .... cents....	8.4	17.5	3.9	4.3
Fully allocated loss per passenger-mile .... cents....	18.1	30.0	14.5	14.8
Ratio of revenue to fully allocated cost .... percent....	30.8	21.4	29.4	37.5

Measured against the present criteria for retention contained in the Rail Passenger Service Act as amended, the performance of the Cardinal must be compared to the criteria for long-distance routes, and the Shenandoah to the criteria for short-distance routes. The law provides that both passenger-miles per train-mile and avoidable loss per passenger-mile criteria must be met. The following table contains the comparisons.

	Cardinal	Long-distance criteria	Shenandoah	Short-distance criteria
Passenger-miles per train-mile	87	at least 150	40	at least 80
Short-term avoidable loss per passenger-mile .... cents....	8.4	[1] at most 7.6	17.5	[1] at most 9.8

[1] The law calls for 7 cents and 9 cents for long- and short-distance routes respectively in 1979 dollars. The criteria shown are in 1980 dollars because the statistics pertain to 1980.

Neither train meets either of the criteria. While the Blue Ridge would appear to meet the short-distance criteria, these are not applicable since the Blue Ridge is defined as a commuter train and therefore under the law Amtrak must be reimbursed for at least the avoidable losses by the States or localities, starting in fiscal year 1982.

The administration does not have specific plans for any of the West Virginia trains. Amtrak has proposed that they be discontinued as required under current law. The administration's proposals would require that Amtrak identify the best performing trains and operate those in order of priority within the administration's proposed lower funding level. The rationale for this approach is that Amtrak itself is best able to identify the lines that should continue within broad administration guidelines. Neither the Cardinal nor the Shenandoah is likely to exhibit sufficiently good performance to continue to be operated under the administration's proposals or even under the proposals of the House Budget Committee or of the previous administration.

The operation of the Blue Ridge would in all cases depend on the availability of State funding as a commuter train. As an alternative to the continued operation of the Blue Ridge and the eastern end of the Shenandoah, the Department has suggested that the States of West Virginia and Maryland may wish to operate substitute service in conjunction with the service now operated by CSX Corp. under contract with the Maryland Department of Transportation from Brunswick, Md., to Washington, D.C.

INTERNATIONAL AIRLINES FUTURE

Senator ANDREWS. Thank you, Senator.

Back on aviation, we briefly touched on the bilateral talks with Japan. I have been reassured and the subcommittee is reassured that these are going to be exploratory talks until we get our ducks in a row. There are those who believe that the negotiating posture we have had in the past has been a significant factor in the loss of confidence by U.S. international airlines in the business climate.

I took a look at this because sometimes, Mr. Secretary, you get these stories from people and you wonder how badly they have actually been hurt. We have a number of different ways in the Appropriations Committee of finding out whose ox is really being gored. I looked at the sales figures for 747's, long-range Boeing 747's. Out of a total of 100 B-747's to be delivered in the next 3 years, and these are used on international flights, only 4 have been ordered by U.S. firms. The most advanced B-747 is the 200-B model, and as of January 1, 1981, Boeing had delivered 208, of which only 16 were delivered to U.S. firms.

I would think that this suggests probably more than any other yardstick that we could look at that U.S. international airlines are being outpaced by their foreign competitors.

What is going to happen to the U.S.-flag system if U.S. airlines aren't able to earn sufficient funds to replace their aging fleets? Are we going to turn over international aviation to foreign firms? Are you putting this as one of your priority matters to take up, because of these figures that show we are definitely falling far back?

Mr. Lewis. Yes, we are, and Darrell, can you answer that in some more detail?

Mr. Trent. Yes, Mr. Chairman. As you know, the Airline Deregulation Act of 1978 substantially changed the structure of competition within the market in the United States. That has been in process now for 2½ years and we are looking at the effects of that as we begin deregulation that will lead to much greater competition and also a different structure in the internal use of airlines and commuter services. We are continuing to monitor that and to measure the effects of it.

I think it is also important to look at the new generation of airplanes that are coming on board and will be able to serve the domestic markets like the wide-range, more efficient 757 and 767, which does offer I think potential for service within the United States in a very substantial and meaningful way.

The very high escalation of fuel costs that have applied to the operating expenses of the different airlines has changed the structure, and we, too, are interested in seeing the impact of these new airplanes when they start delivery on the U.S. market.

Senator Andrews. But that is on domestic aviation and the thing that I am trying to point out is that we now have negotiations going on with Japan and the CAB expects negotiations with literally dozens of countries this year. The Department of Transportation, along with the Department of State, is going to be included in those negotiations. When we are looking at cost of transportation, if we continually shove our carriers into more and more unprofitable positions on the international scene, they have that much less in terms of earnings that they can help feed into the domestic airline situation.

I think it is essential and part of our national interest that we have a strong U.S.-flag airline system, and they have to be protected more than they have been in these bilateral negotiations.

Are you taking specific steps to review the U.S. negotiating policy before any more of these negotiations are held?

Mr. Trent. Yes, Mr. Chairman. As you know, the International Air Transportation Competition Act of 1980 basically has set forth the guidelines for the international aviation policy. This is a policy that was previously constructed by a former administration. It is a continuation of policies that had earlier been set, first in 1970 and then I think revised in 1976.

We are quite concerned about the negotiation of bilateral agreements with the different countries, and we are pleased that the Department of Transportation, with the Deputy Assistant Secretary, has been able to take the lead in the negotiation with Japan. We will be staffing and providing additional information to try to insure to the degree that we can that there will be an open, competitive system. And we also recognize the different standards that are used in different countries for the basis of competition and basis of fares.

One of the problems that developed was that in the previous bilateral negotiations, a great deal of concern had been expressed for the right for fluctuations of fare prices that were not necessarily undertaken by foreign carriers. And we found that with the escalation of fuel prices, that this variance in prices for tickets that had been so important a part of our deregulation internally had not been that successful. We will review in detail and we will be coming forth with guidelines on each of these bilateral negotiations that I think will give much greater concern to U.S. interests in opening up the different domestic ports, the airports for foreign carriers, and also the type of competition in which our airlines can be expected to compete on a reasonable basis.

FAA FACILITY COMMISSIONINGS AND EMPLOYMENT REDUCTIONS

Senator ANDREWS. Well, I think we are going to have to be just a little bit more hardnosed. An open competitive policy is great unless it is all in one way. If it is all in one way against us, then our consumer, our domestic passenger, would have to rely largely upon the American airlines and would suffer if those airlines' earnings overseas are sharply cut back, if not eliminated.

We have also received testimony in this committee that the FAA continues to commission a large number of new facilities while faced with employment reductions. If this trend were to continue to progress, it would inevitably result in a significant decrease in aviation safety.

Where do you intend to draw the line? What point do you project that aviation safety will begin to be compromised if current trends continue, or have we already reached that point?

Mr. LEWIS. At no point would airline safety be permitted to deteriorate, and Darrell will give you some more detail on this in a moment. One of the things that I specifically asked the President at the time he asked me to be Secretary of Transportation was whether or not he would see we had adequate funding and would support adequate funding, particularly in terms of the air traffic control system. We have that assurance from the administration and our budgets are moving in that direction.

One thing you should be aware of—you can't relate facilities to manpower. The one thing we are trying to do is as we replace the old tube systems, whatever you call it, to the change to the chips, the new technology, we are able to actually reduce the number of people. We not only increase the efficiency of the system, but we reduce the manpower and the possible human error that goes into that system. So we will not be sacrificing safety and we will be, where we can, reducing manpower through more efficient equipment. Now you may have something you want to add to that, Darrell.

Mr. TRENT. I would only indicate that the number of new facilities that have been opened during the last 5-year period is significant when compared with staff reductions during that particular time. But as the Secretary has pointed out, a lot of this is because of new technology and the decisions that have been made in the manning levels as well as the new facilities that have been required to continue the safety of the program are such that we think we have a comfortable margin, particularly with the remote maintenance and monitoring technology that we have been able to use, and also the centralization of different functions that have allowed a reduction in manpower and an ability to handle greater numbers of aircraft as the additional technology has come on line.

FINANCIAL CONDITION OF HIGHWAY TRUST FUND

Senator ANDREWS. There is no increase in the gasoline tax included in your proposed legislation. Highway trust fund expenditures are expected to exceed its revenues this year, as highway construction maintenance costs continue to escalate.

In addition, motorists have curtailed their travel and automobiles have become more energy-efficient, resulting in lower fuel consumption levels.

How do you propose to keep the highway trust fund strong for future years, and what recommendations may we expect in the months ahead on future increases in the Federal motor fuel tax?

Mr. LEWIS. What we have made an effort to do and have completed is a redefinition of the Interstate System and we have a commitment to complete that system on time by 1990. It is going to be a no-frills kind of system. A number of the additional costs that are talked about in the GAO report we feel are unnecessary.

We will be able to complete that system and we will be able to complete it on time. We will have adequate funds in addition to that to fund the primary roads. We will have a marginally adequate fund to fund the bridge needs. We are recommending that at the close of 1983 we phase out the Federal Government support of urban and rural roads. Essentially we feel the Federal Government's responsibility should rest in the Interstate Highway System, the primary roads, and bridges. There is no question that——

Senator ANDREWS. Bridges wherever they may be?

Mr. LEWIS. Wherever they may be, but there are certain bridges we have obligations for and we do have some detail on bridges which we would be prepared to submit for the record.

URBAN AND SECONDARY ROADS

Senator ANDREWS. In other words, it is not going to be part of your recommendations that you eliminate the Federal share of costs on secondary roads, because if those bridges aren't there, there is no way you are going to get——

Mr. Lewis. For the next 2 years, what you are referring to as secondary roads, we will have funds in there for bridges. At the close of fiscal year 1983, we at that point will be spending our bridge money on interstate and primary, the roads we are defining as part of the Federal responsibility.

Now at the time that happens, there is no question there is an additional burden on the States and it would probably have to be a user tax. It could be a user tax that is initially imposed by the Federal Government with funding of those projects on a temporary basis with the States picking up that funding source and the responsibility at the same time, or the possibility of States just increasing the gasoline tax without the Federal Government getting involved.

At the present time we feel we have sufficient funds through 1983 to have an adequate program. We know that at the present level we would have adequate funds to carry out our responsibilities in terms of interstate, primary, and bridges. The question that remains open is at the time we drop the urban and secondary roads, what do the States use and what do they have as a source of funding for them to be able to accept that responsibility? This is something that can be faced either with State gasoline taxes or by our imposing a gasoline tax and then returning it to the States when they are willing to pick it up.

Senator Andrews. They have very little to pick that up with, That is the problem because those secondary roads generate very little traffic, compared to the heavily traveled Interstate Systems and primary road system. But if you don't have the network of secondary roads leading into the primary road system, the Interstate Road System, you don't have much. It is like the telephone company doesn't make much from that individual black telephone that is in the ghetto area or that individual telephone that is out on the farm or a ranch in a rural area. In fact it loses on those individual telephones but they are necessary to set up the entire network.

And if this administration is going to abandon the funding of rural roads, where then are we going to get the amount that is necessary to let, for instance, farmers move their grain to market? That grain is the only thing that is keeping us halfway afloat in our balance of payments, because without the exports of two bushels out of every three bushels of wheat that is produced, there is no way we are going to help fight inflation. There is no way we are going to be able to resolve the problems we have with the balance of payments. That wheat unfortunately is a bulk commodity produced far away from these primary and secondary roads, and you are taking the very support that is needed from the road system that has to be used to move this grain to market.

Mr. Lewis. Under the present program of a 4-cent gasoline tax, say through 1983 we have no problem in terms of having adequate funding for the rural and urban roads. And I understand what you are talking about, the farm to market roads. We feel that rather than have that money come to Washington and have 15 or 20 cents taken out of it through our bureaucracy and sent back to the States, we are much better off if the money remains at the local level.

Senator Andrews. Except the money is not generated on those farm to market roads because they don't carry that density of traffic, as I tried to explain. The telephone system generates from the big systems that they set up in the sophisticated business offices the income that helps them carry that single phone out in the rural area or the single phone in the ghetto area. And if we don't recognize that same principle in the national road system, we are simply not going to have the web that is necessary to feed these products into the principal artery.

Mr. LEWIS. Yes, but Mr. Chairman, the gasoline tax that is collectible will be collected on all roads, the interstate and the primary, so the funds that are being collected on those roads at that point will be available for urban and rural roads.

What we are essentially saying is that we feel the entire highway program should be supported out of a user tax and the closest you can get in that area is the gasoline tax. We feel that the Federal responsibility should be to keep that tax level down and to finance areas in which we should be responsible. Then either transfer through our imposing a gasoline tax initially or having the States impose that tax, to pick up the responsibility for the farm to market roads and the urban roads.

There is no issue that there is a gap in that funding that has to be picked up by someone, and it has to be picked up. I think a gasoline tax that is properly imposed at the State level would be my preference, in 1984 to fund those programs. If the States are unable to assume that responsibility and if Governors aren't able to get through their legislatures the proper gasoline tax increase, that tax could be imposed at the Federal level with the understanding that if a State is willing to pick up the responsibility to have that tax in their State, that they could keep their funds and they would not come to Washington and be returned to them 80 cents on the dollar.

STATE/LOCAL CONTROL OF HIGHWAY SYSTEM

Senator ANDREWS. Of course you have just made the pitch for local control. The Reagan administration consistently has tended to promote actions that would require control and discretion at the local and State level. Yet your proposed highway legislation appears to be in conflict with this philosophy when it grants authority to you, the Secretary, to determine which segments should be withdrawn from the Interstate System. The authority to request withdrawal previously only belonged to the States.

How do you explain this apparent conflict with what you just said and what the ongoing feeling of the Reagan administration that has been manifested over these months has been?

Mr. LEWIS. Essentially, Mr. Chairman, we are meeting with all the State and local officials to make these determinations, and I would have no problem whatsoever if the authority were removed from our department and they had total discretion. We felt that by doing this, looking at the total package going out to 1990, that we could be instrumental in pulling together a total definition of what the Interstate should be and provide a framework for funding as we go out into 1990. To the extent that is of concern to you and your committee, I would be satisfied to have the State and local governments have full determination. We think that because of the background that we have, that we can be very helpful to them.

Senator ANDREWS. Senator Chiles?

FLORIDA INTERSTATE PROGRAM

Senator CHILES. I just wanted to say it is of some concern to me. In Florida, as you know, where we are concerned about trying to complete our interstate, and where we feel like we really made some kind of wise decisions early on in that we went into most of the urban links early and tied to the Interstate that we have in Tampa, Orlando, and Jacksonville and those kinds of areas. Now we are out in the countryside trying to complete it. We did have an add-on with I-75 and an urban link into I-295 down into Fort Lauderdale.

It certainly does cause us some consternation when we see a provision come by that gives broad discretion to the Administrator to determine whether he feels links should qualify or not, and we are concerned. Is that a gun pointed at our links in Florida? Does that mean that we are not going to be able to complete funding that we so strongly anticipate? We paid in over $3 billion to the fund and are drawing out $2 billion, so we feel like we should be able to complete that funding for those essential links in Florida.

Mr. LEWIS. Specifically, Florida will have the third highest level of funding under the Interstate program. You will be getting a disproportionate share of the funds that are available, and actually I think we have about $1.4 billion presently budgeted for Florida. So it is not our intention whatsoever to curb the needs of your Interstate. You are one of the States that have the largest and the longest gaps, and we are prepared to fund them.

One of the reasons we put this in is that we have problems in some sections of the Interstate, and most of these do not happen to be—in fact I don't know of any of them that are—a problem in your area. But there are some areas where we have tremendous environmental problems, with extremely high costs where local officials have been fighting for years and we think it is time now to decide we are either going to do it or we are not. Some of these happened to be in Pennsylvania and I am familiar with the circumstances.

And we determined that if the local officials are not satisfied to resolve this problem and there is a missing link let's say on I-95 where you can come from Maine to part of Philadelphia and you pick it up in another part of Philadelphia and go all the way to Florida, that maybe there needs to be someone with a national concern to see that that piece is filled in to that Interstate Highway. Again, I say to the extent that you feel you would be better served by not having us participate in this decision, we would be satisfied not to.

MIAMI, FLA., RAIL SYSTEM

Senator CHILES. Mr. Secretary, as you know, the 21-mile Miami rail system is well underway. An integral part of the rail project is the central business development loop, also referred to as the Miami Downtown People-Mover. About $600 million has been spent to date on this project and certainly we are interested in seeing that it is completed.

As you also may know, the original plan for the rail system was changed so that it would not go through the central business district of Miami, and that was done to save money. It was done in connection with the Department up here and it was done with the understanding that the people-mover would loop through the business district.

I understand that there is $195 million in the 1981 budget proposal and $70 million in the 1982 budget proposal to complete the Miami rail system. Is that correct?

Mr. LEWIS. That is correct. In addition to that, going out into 1983 and 1984 on the Miami rapid rail, as we call it, you have $12.2 million in 1983 and $9 million in 1984. That will be fully funded and is in our budget. The people-mover, if you want me to comment on that, since people-mover seems to be a bad name these days, is now called a circulator.

Senator CHILES. Yes, sir; we want to change that name.

Mr. LEWIS. But as far as that specific project is concerned, we do not have funds currently in the budget to fully fund that out. What we are recommending we should do to keep it alive, at least in the planning stage, is to fund in fiscal year 1981 $11.5 million, in fiscal year 1982 $2.6 million, and in fiscal year 1983 $3 million, which is really just a completion of the obligation which the Department at a prior time made on this specific project.

I think I should add that in the area of mass transit, if there is any area in my budget which, as you go out to 1983, 1984, and 1985, gives me concern, it is in the capital levels in mass transit. However, we feel that we are able to complete the projects that are presently underway and to keep ones like this alive. We also feel that as this economy turns around and we are able to reduce inflation, interest rates, and we have a stronger economy in general, that we would like as the Department of Transportation to go back to the administration with recommendations for projects of this type.

Senator CHILES. Well, for the total project cost, it is my understanding we would be talking about around $40 to $50 million, and——

Mr. LEWIS. About $40 million I believe it is.

Senator CHILES. Yes, in that neighborhood, and you are talking about funding levels of around $18 million over the 3 years.

Mr. LEWIS. That is correct. Which means that we either have to come up with a local package to help supplement the shortfall, or delay it, assuming you accept our recommendations, delay it until funds are available. We are not indicating the project is not worthwhile. We are indicating at the present time, as we try to tighten our belts, that since this project is not presently under construction, and I believe the farthest-out point of what you call the circulator from the north-south line is only about eight blocks, that at least part of this could be completed, hopefully by getting some local initiative to supplement the additional funds needed.

Senator CHILES. Well, I think one of the key things here is that the whole rail project actually kind of stands or falls on whether you have the circulator. The circulator is the whole basis of what you are using to connect up with your downtown traffic.

Mr. LEWIS. That is why this is the only people-mover project that we are recommending to be funded on a current basis, despite its shortfall in terms of the total dollars that you would like to see.

Senator CHILES. But you don't see now how we are going to close that gap as to the number of dollars that we are short there?

Mr. LEWIS. I really don't, sir. Here is the problem that we have as we allocate these funds, that Los Angeles has a compelling argument for why their people-mover should move ahead. So does Houston. So does Buffalo and Detroit. And what we are really trying to do is complete those projects, assuming they are worthwhile, to complete those worthwhile projects that are presently under construction and roll ahead those projects that we feel are needed but for which we don't have the funding now.

And again, because of your specific concern and because of the uniqueness of this situation, although our inclination would have been to cut it out in total, we have recommended this funding of approximately $20 million, which is about half the project.

URBAN INITIATIVES

Senator CHILES. All right, sir. Going to the urban initiatives, as I understand it, the urban initiative program funded by UMTA has been terminated, but the individual projects that were funded by the program are now eligible to reapply under section 3 discretionary grants program. That doesn't comfort us completely because the section 3 program is also going to be reduced by about 20 percent.

I want to ask you about the Liberty City Overtown project. UMTA announced last December it was approved at a $6.9 million level. As you know, we had riots late last spring in the Liberty City area of Miami after Dade County police officers were acquitted by a Tampa jury. In September of last year this subcommittee in its report asked that the Liberty City Overtown project be given full consideration within the funds appropriated for fiscal year 1981.

In December of last year, 2 months after the subcommittee issued its last report, then UMTA administrator Lutz announced that the Liberty City Overtown project would be approved as a part of the Federal effort to rebuild the riot-torn area. As you know, Overtown intends to use these funds to acquire land near a metrorail station to finance demolition of an old building and to make way for a new hotel, office, and retail complex.

Mr. Lewis, the anniversary date on those riots is coming up and it would seem to me to be a cruel hoax to have the Federal Government give with one hand and take away with the other. Can you tell me what the status of the Department's funding commitment on the Overtown project is?

Mr. LEWIS. Yes; early this week we reviewed all the projects in UMTA. We have a list of a number of projects. I guess there are about 16 projects which we think should qualify under our discretionary grant program, and we would be pleased to work with you, as we are with Senator Byrd on Charleston. This happens to be one of the projects we feel should be covered under that discretionary grant program. We would be delighted to work with your office and the people in this vicinity to try to resolve the problem.

Senator CHILES. I am delighted to hear that. Can you give me any idea what we would be talking about in the way of additional delay or would it be necessary to reapply?

Mr. LEWIS. I am not familiar with the actual forms in enough detail. We indicated to Senator Byrd on his project that we are talking about 2 weeks. I would assume we are talking within 1 month, but we have to get moving on it very promptly. Tentatively, the requirements I believe you have in fiscal year 1981 for this are about $6.9 million, and the answer is, since we are not going to have the categorical urban initiative programs, let us get moving with the discretionary grants and try to resolve these specific problems.

Senator CHILES. Time is an essential thing here because of the fact that this is one of the few announced things that was going in. It was going to make some improvement. It was going to lead, you know, toward some initiatives down there with a hotel and the retail complex down there. It was going to allow for some local initiatives to come in and do something in the area.

As I say, as we get close to that anniversary time, time becomes very critical.

Mr. LEWIS. We are prepared to work with you very promptly.

Senator CHILES. Mr. Chairman, I have other questions but I know you have other people so I will wait and submit those for the record. Thank you.

UNION STATION

Senator ANDREWS. Mr. Secretary, let me ask you a question right now. There has been considerable discussion in the press and the Congress about the need to do something about Union Station. The press accounts that I have seen recently I have found are not that accurate. Some people have been purporting to speak for the administration, and the information that has been put out is, as I understand, not accurate.

How is the administration planning to address this situation?

Mr. LEWIS. The Department of the Interior has the major role in this, and you are correct. I happened to read in the Post or the Star that we were preparing legislation to take it over in the Department of Transportation, which is inaccurate. And we will be working with the Department of the Interior. We do have someone assigned to work on this project.

Fundamentally, what we want is an Amtrak station to serve the railroad passengers, not a historic monument or a museum, although we recognize the attractiveness of the building. But we do plan to work with Interior on this and I don't have an answer at the present time for you, but I will be in a position shortly to submit information, and I believe you will be getting information from Secretary Watt.

Senator ANDREWS. And if you could provide that for the record when you get it so we have it before we go to markup.

Mr. LEWIS. We will do so.

[The information follows:]

UNION STATION

The Department of Transportation is not prepared at this time to propose any initiatives for dealing with Washington Union Station. We are continuing to work with staff of the congressional committees of jurisdiction and of the Department of the Interior, Amtrak, the District of Columbia Department of Transportation, and other parties to attempt to find an acceptable resolution of the situation at Union Station.

JAPANESE REQUIREMENT ON IMPORT DOWNPAYMENT

Senator ANDREWS. Senator Kasten.

Senator KASTEN. Mr. Secretary, I have a couple of different questions on three or four different subjects. I understand the Japanese require a 15-percent downpayment on imported cars, with a limited financing period of 25 months or so. I know that you have been back and forth on this question of imports, but are you familiar with that Japanese plan requiring that big downpayment? And what would be the ramifications if we in the United States imposed a similar requirement on imported cars?

Mr. LEWIS. You mean they require that on foreign cars in Japan?

Senator KASTEN. Yes, I just learned about this recently. They require a 15-percent downpayment on imported cars, with a limited financing period of 24 months. They limit the financing ability. Have you looked at that?

Mr. LEWIS. We have tried to look at all the problems we have, not only in automobiles but all the other trade barriers that Japan has as far as our products are concerned. And as I indicated earlier, a $10,000 American car, if it were to be purchased by a Japanese, would cost him $20,000 and 6 months by the time the car could be delivered to their garage.

We feel very strongly, and one of the reasons the briefing group is in Japan, that what we want is a relationship on a broad basis with trading partners as important as Japan. In many cases, as Chairman Andrews pointed out earlier, in the areas of beef and automobiles and a number of other areas, we seem to have the free markets and other people don't. Automobiles is one where there is no free market anywhere in the world except the United States. We are reviewing that entire matter right now and we will have more to say. Actually at the present time the responsibility of this rests with Ambassador Brock and the Department of State.

INSPECTOR GENERAL ACTIVITIES

Senator KASTEN. On page 11 of your testimony, you talked about the Office of Inspector General and pointed out that the administration will be looking for the Inspector General to pursue his search for waste, fraud, and abuse and pointed out that you weren't cutting back people in that area.

Can you give us an idea of a target, maybe a percent target of dollars you might be able to pick up through waste, fraud, and abuse? I am not familiar with GAO reports or other kinds of reports of your agency pointing out that certain savings could be made, but I would assume there have been some. Is it 2 percent, 5 percent? What are you hoping to pick up?

Mr. Lewis. In addition to the Inspector General task force, we have a task force within the Department which we appointed this week including our Assistant Secretaries for Budget and Administration and an individual working in personnel who came in as an appointee of Darrell's and mine. We actually have a six-man committee. We are also going to have one person in each administration working in this area.

I can't give you a specific dollar figure. I will submit one for the record. One thing that I found, and this is available all over our Department, I am convinced. One Saturday morning I sat down for about 1½ hours and just looked at a number of advisory committees that we had appointed and the staffs that were working with those committees and was able in a period of 1½ hours to knock about $2 million out.

I am convinced that is everywhere. I just haven't had time to concentrate on this. We will have a target. We will have an objective. As a matter of fact, we plan to have competition within the administration to see who can find the most waste. I think there is considerably more waste than there is fraud, although I am not certain on that, and we plan to concentrate in both areas and will submit for the record our findings.

[The information follows:]

INSPECTOR GENERAL AUDITS AND INVESTIGATIONS

The following accomplishments were reported in the recent semiannual report of the Office of Inspector General activities for the period October 1, 1980, through March 31, 1981.

Audits.—Costs totaling $9 billion were audited during this 6-month period. Of this amount, costs of $128 million were questioned. Eventually these funds may be made available for other eligible Department of Transportation programs and operations.

Other dollar benefits identified totaled $279 million. These are primarily recurring, cost avoidance items and therefore would not result in a saving of funds already budgeted.

Investigations.—Investigative activities for this 6-month period resulted in 31 convictions and accounted for $2.4 million in fines and restitutions. In addition, we are continuing our proactive investigations into antitrust activities in DOT-funded construction projects.

If OIG activities continue at their present level, we can reasonably anticipate similar results for future periods, but amounts may vary. We are continuing our efforts in the areas of prevention and vulnerability assessment. This will have an unquantifiable deterrent effect.

HIGHWAY TRUST FUND

Senator Kasten. It is my understanding that for every dollar contributed to the highway trust fund by Wisconsin, only 74 cents in services or roads or whatever come back to our State, which makes us a net loser State. How many other States are in that category of more dollars going in than coming back?

Mr. Lewis. I can again submit that for the record. In balance, most people get back less than they send, and that is one of the problems with sending it to Washington and one of the reasons, in response to Senator Andrews' question, I indicated on the rural and urban roads you are much better off with the gasoline tax collected at the local level rather than the Federal level, and getting us involved in those programs. I can submit that for the record and I believe those figures are available.

Senator KASTEN. It is your understanding, though, that most States are in this position in which——

Mr. LEWIS. A very large number of them. I have looked at some of the figures. I can't tell you specifically off the top of my head which are which. There are some that are net gainers, but by and large the larger States are all losers.

Senator KASTEN. Your charts must be different than ours then because we showed I think fewer than half the States that were in the category of net losers.

Mr. LEWIS. We will furnish that for the record.

[The information follows:]

COMPARISON OF ESTIMATED STATE PAYMENTS INTO THE HIGHWAY TRUST FUND. AND FEDERAL-AID APPORTIONMENTS FROM THE FUND

FISCAL YEARS 1957 - 1979

TABLE FE-221
OCTOBER 1980

(IN THOUSANDS OF DOLLARS)

STATE	PAYMENTS INTO THE FUND 1/		APPORTIONMENTS FROM THE FUND 2/		RATIO - APPORTIONMENTS/PAYMENTS	
	FISCAL YEAR 1979	CUMULATED SINCE 7-1-56	FISCAL YEAR 1979	CUMULATED SINCE 7-1-56	FISCAL YEAR 1979	CUMULATED SINCE 7-1-56
	(1)	(2)	(3)	(4)	(5)	(6)
ALABAMA	137,924	1,907,231	203,960	2,150,461	1.48	1.13
ALASKA	12,110	140,180	130,325	1,307,692	10.76	9.33
ARIZONA	91,300	1,127,975	117,887	1,622,795	1.29	1.44
ARKANSAS	90,226	1,246,104	128,824	1,226,635	1.43	0.98
CALIFORNIA	717,165	10,391,865	495,297	8,120,466	0.69	0.78
COLORADO	98,721	1,315,773	121,292	1,604,363	1.23	1.22
CONNECTICUT	79,692	1,305,743	129,084	1,710,279	1.62	1.31
DELAWARE	19,731	305,418	33,467	423,048	1.70	1.39
DIST. OF COL.	11,424	260,302	76,518	1,174,221	6.70	4.51
FLORIDA	293,351	3,742,136	453,361	2,883,498	1.55	0.77
GEORGIA	192,375	2,721,274	289,612	2,414,805	1.51	0.89
HAWAII	18,166	257,466	60,154	787,492	3.31	3.06
IDAHO	36,149	500,714	62,758	769,767	1.74	1.54
ILLINOIS	338,280	5,026,519	461,227	5,395,157	1.36	1.07
INDIANA	194,169	2,968,753	188,172	2,386,745	0.97	0.80
IOWA	110,676	1,692,925	136,233	1,587,528	1.23	0.94
KANSAS	91,513	1,418,901	118,650	1,406,555	1.30	0.99
KENTUCKY	123,288	1,707,389	165,314	1,900,376	1.34	1.11
LOUISIANA	141,541	1,827,487	198,922	2,569,649	1.41	1.41
MAINE	36,249	554,306	43,234	613,155	1.19	1.11
MARYLAND	120,502	1,739,856	190,039	2,237,637	1.58	1.29
MASSACHUSETTS	140,324	2,260,982	180,639	2,372,326	1.29	1.05
MICHIGAN	299,872	4,539,069	217,099	3,724,217	0.72	0.82
MINNESOTA	140,034	2,041,756	170,715	2,433,818	1.22	1.19
MISSISSIPPI	86,865	1,246,162	89,230	1,240,307	1.03	1.00
MISSOURI	182,040	2,725,804	309,257	2,639,716	1.70	0.97
MONTANA	36,659	517,933	174,454	1,391,765	4.76	2.69
NEBRASKA	62,551	960,414	70,464	946,225	1.13	0.99
NEVADA	32,442	384,061	104,069	770,891	3.21	2.01
NEW HAMPSHIRE	29,564	388,559	39,985	541,051	1.35	1.39
NEW JERSEY	198,685	3,188,717	161,324	2,644,828	0.81	0.83
NEW MEXICO	56,736	760,919	90,283	1,159,205	1.59	1.52
NEW YORK	341,723	5,841,783	457,417	5,758,513	1.34	0.99
NORTH CAROLINA	201,887	2,818,844	237,229	1,972,509	1.18	0.70
NORTH DAKOTA	28,048	387,355	52,387	714,311	1.87	1.84
OHIO	349,747	5,229,819	278,294	4,736,304	0.80	0.91
OKLAHOMA	127,758	1,734,288	80,402	1,280,201	0.63	0.74
OREGON	97,602	1,334,976	114,529	1,910,380	1.17	1.43
PENNSYLVANIA	331,681	5,120,888	399,704	4,993,550	1.21	0.98
RHODE ISLAND	22,330	377,022	49,756	583,266	2.23	1.55
SOUTH CAROLINA	102,108	1,412,427	112,014	1,094,794	1.10	0.78
SOUTH DAKOTA	28,835	441,025	48,289	817,554	1.67	1.85
TENNESSEE	161,664	2,203,968	270,353	2,315,617	1.67	1.05
TEXAS	569,737	7,400,896	491,160	5,526,681	0.86	0.75
UTAH	47,821	645,019	153,508	1,279,679	3.21	1.98
VERMONT	16,908	246,102	40,299	594,094	2.38	2.41
VIRGINIA	170,961	2,418,510	312,589	3,148,335	1.83	1.30
WASHINGTON	128,571	1,779,570	190,099	2,448,542	1.48	1.38
WEST VIRGINIA	62,495	876,080	301,519	2,039,701	4.82	2.33
WISCONSIN	149,112	2,126,528	133,917	1,594,883	0.90	0.75
WYOMING	29,508	341,922	54,746	854,238	1.86	2.50
PUERTO RICO	-	-	29,914	301,469	-	-
TOTAL	7,188,812	103,917,715	9,220,854	108,121,294	1.28	1.04

1/ FISCAL YEAR PAYMENTS INTO THE FUND ARE BASED ON RECEIPTS AS REPORTED BY THE U.S. DEPARTMENT OF THE TREASURY. INCLUDES REVENUES FROM HIGHWAY-USER TAXES ONLY.

2/ INCLUDES ALLOCATIONS FOR URBAN HIGH DENSITY, OVERSEAS HIGHWAY, ACCELERATION OF PROJECTS AND REAPPORTIONMENT OF LAPSED INTERSTATE FUNDS. EXCLUDES FUNDS FOR EMERGENCY RELIEF, PUBLIC LANDS HIGHWAYS, GREAT RIVER ROAD, BRIDGES OVER FEDERAL DAMS, RURAL HIGHWAY PUBLIC TRANSPORTATION DEMONSTRATION PROGRAM, RAIL/HIGHWAY DEMONSTRATION, AND TRAFFIC CONTROL SIGNALIZATION DEMONSTRATION PROJECTS.

ARROWHEAD BRIDGE

Senator KASTEN. Thank you. On the question of the Arrowhead Bridge, I know we have been in touch back and forth. Are you able to tell us anything definite about the plans for the Arrowhead Bridge in northern Wisconsin going over to Minnesota? Can we look forward to at least a reply from the Department as to when we might get the additional funds?

Mr. LEWIS. Senator, I don't have the detail on that and I will not only get that back to the record, but I will call you this afternoon on that.

Senator KASTEN. Thank you, Mr. Chairman.

[The information follows:]

DOT has not yet decided whether funds for bridge projects like the Arrowhead Bridge project are counted over and above State shares of the obligation release for the first 10 months of 1981, or exempt from the obligation limitation for the year.

CONTROLLED TRANSFER OF CONRAIL

Senator ANDREWS. Thank you, Senator Kasten. Senator Heinz?

Senator HEINZ. Mr. Chairman, first let me thank you for giving me this opportunity. I am not a member of this committee and I particularly appreciate your invitation to be here and I appreciate——

Senator ANDREWS. Senator Heinz is a very hard working and distinguished Member of the Senate. Your contribution can help in building the record that we have got to go on in this committee before we go to the floor.

Senator HEINZ. Mr. Chairman, from what I have heard, you were doing an excellent job even before I came.

And Mr. Secretary, it is nice to see you.

Mr. LEWIS. Nice to see you. He happens to be my Senator.

Senator ANDREWS. We wanted to make sure you felt at home.

Senator HEINZ. I am here because I have a number of questions that I would like to ask the Secretary about your Department's proposal for Conrail.

DOT has essentially proposed that Conrail be subject to what is called by Mr. Blanchette a controlled transfer, by which he means that it would be sold to other railroads.

My first question is, How do you know that other railroads are going to be willing to buy any significant amount of Conrail between now and the end of next fiscal year, September 30, 1982?

Mr. LEWIS. Senator, first of all, Conrail under its present conditions, I would agree with the other people who have stated it, is not salable unless you give incentives with it. To sell Conrail, first of all we have to separate the labor protection from the operation of the railroad. We have to probably lay off somewhere—Stan Crane says 11,000 people. Blanchette and I, who as you know operated about 80 percent of the system prior to the Government operating it, feel it is probably closer to 20,000 people. We have to separate that social cost from the operation of the railroad.

Second, we have to separate the commuter services, mainly New York and Boston to Baltimore and Washington and the Philadelphia area by putting those in the local systems and having the Federal Government, when they turn those systems over, provide the subsidies with them to finance in the local communities. This is a very, very small part of the problem of Conrail, only a loss of about $10 million a year, but it is the kind of problem that anybody that operates a freight line does not want to monkey around with.

Senator HEINZ. Let us assume we do those two things——

Mr. LEWIS. All right, and we also have to resolve the problem of the terminals, which as you know are very heavy expenses for Conrail. At that point——

Senator HEINZ. But that is not going to be done legislatively. The terminals aren't handled legislatively. The commuter rail and title V labor protection, Congress——

Mr. LEWIS. But it is one of the areas that we have to look at because Conrail claims their terminals are profitable and when we operated the railroad we felt they were not. There is probably some middle ground somewhere in between.

But because of Conrail being a short-haul railroad with very heavy terminal costs, for these terminals to be turned over to another railroad, the only way it could be done would be to have private industry move in. For example, in the case of Port Reading, we have a private investor group at the present time that wants to buy that and it has the potential to be one of the finest coal ports in this country, certainly one of the two finest in the east coast. We have to look at that terminal operation. Once you reach that point, you have a railroad that generates about 12 to 13 percent of the total freight in this country. We have had interest indicated, even since our report came out, from I would say 70 to 80 percent of the railroads in this country who are now dusting off their plans.

At the time Congress offered to take this over, we had a plan at the Reading which we had recommended to Secretary Coleman where we could have operated it on a private industry basis, and prior to that the Penn Central had the same kind of an opportunity. We feel, John—excuse me, Senator. I forget I am in a hearing here.

RAILROADS' CAPABILITY TO BUY CONRAIL

Senator HEINZ. Let me ask, since the thrust of my question is really regarding the purchase, how many railroads are there in a position to buy and operate any portion of Conrail?

Mr. LEWIS. Well, first of all, if you take the scenario in chapter 11 of Conrail's report, they talk about a north-south kind of split with bringing in the Chessie and the Norfolk and Western. Obviously they are going to have an interest. We feel there should be an interest on the part of one or more of the western railroads because they benefit from the split in rates that give them the long haul, where Conrail has the burden of the short haul.

I think the thing that concerns us most is that we want to end up with a Conrail system that is not only viable, but carries the bulk of the freight that is so important to the economies in the Northeast and Midwest. If we do not end up having Conrail part of private industry, it is ultimately in our judgment going to be choked by the Chessie and the Norfolk and Western. It is going to deteriorate on its own and always be a ward of the Federal Government.

Senator HEINZ. Mr. Secretary, excuse me. I understand that. That case has been made by you and Mr. Blanchette. I am familiar with it, and I think most people are. But what you are proposing is to zero out the Conrail budget by the end of 1982. You are proposing a certain amount for fiscal 1982?

Mr. LEWIS. That is correct.

Senator HEINZ. It is very important to the Congress, important to my region, and it is important to this subcommittee, even though I am not a member of it, that the feasibility of your plan, the likelihood of it taking place, No. 1, and No. 2, what possible pitfalls there are be fully understood, because if that is not fully understood and we go ahead and adopt your plan, and I frankly have grave reservations about it, as you structure it right now. I think there could be some changes in it to save it so that it is not going to fall apart at the seams.

Now that is my prejudice. You think it's going to work, that is yours. Fine.

Mr. LEWIS. May I just make this comment, Senator?

Senator HEINZ. Now what I am trying to get at, to establish on the record, and it is just the one question I have been trying to get an answer to, is how many railroads are in a position to buy Conrail. You mentioned the Chessie and the Norfolk & Western. Are there any other railroads that might be interested?

Mr. LEWIS. There are a number of others. We can give you a list. Any railroad in this country that is not interested in acquiring the freight generated on Conrail that has a connection with Conrail and can pick up that incremental freight and either get a breakeven or a contribution to overhead, is a railroad that probably doesn't understand what is happening.

Senator HEINZ. You mentioned the Chessie and the Norfolk & Western. Now it is my understanding that those two railroads might be interested in acquiring part of Conrail, but they can't. They are very involved in their own mergers right now. The Norfolk & Western and the Southern are getting married. And you know what a wonderfully successful marriage the New York Central and the Pennsylvania Railroad have. And the Chessie is becoming the CSX, as I recollect?

I mean, do you think anybody in the midst of a merger, with your experience in railroads, ought to consider buying a piece of a troubled railroad like Conrail? Is that what you would recommend to them as their chief executive officer?

Mr. LEWIS. What I would recommend first of all, in any business you pursue an opportunity when the opportunity presents itself, assuming you can absorb it. But specifically as far as the entire Conrail system is concerned, there are logical buyers. This is not going to happen overnight. We are talking about the end of fiscal year 1981.

Even if the scenario of selling Conrail is never realized, if you follow the steps we are recommending, you are going to have a railroad where you don't have a social cost of labor protection. You are going to have a railroad that is not in the commuter business. You are going to have a better terminal operation than you presently have.

If you hit that point, and let us just take your scenario and Conrail is not salable, you still have a better railroad and we are still going in the right direction. If I at that point happen to be correct and you can have three strong private sector railroads operating that system, where they take the bitter with the sweet, which means you get the trunklines along with the spur lines that are so vital to Pennsylvania, if you are able to put that combination together, I think you would agree that we are better off having that type of system than a Government-owned post office kind of a railroad that can never get out of the problems it has because of the nature of the freight generated on its lines.

CONSEQUENCES OF CONRAIL TRANSFER

Senator HEINZ. Mr. Secretary, I am not disagreeing with anything that you say. I am trying to look at the consequences of what you are proposing so that we can maybe make a more effective plan to deal with those consequences.

My concern, Mr. Secretary, is that as you yourself say, there is the possibility that you can't sell, through controlled transfer, Conrail by the end of fiscal 1982.

Now if you were in the management at Conrail, between now and October 1982, if you were a labor leader at Conrail over the next year and a half, and you knew that there was going to be no more money for Conrail after 1982, and that that was going to be enforced because Conrail doesn't have enough political support to override a Presidential veto no matter what—the President and you have made yourself very determined—would you be inclined, if you were a middle manager, to stay around Conrail for a year and a half if you were a labor leader? Would you be inclined to take the heat of making some of the other changes, well beyond labor protection, that are probably necessary? Conrail has more work rule problems and higher labor costs than other railroads.

Now that has some pretty serious implications. Why should another railroad pick up a piece of Conrail with those kinds of problems, because those aren't going to be addressed by title V or by selling off commuter rail, or by putting the terminals on some kind of basis.

Mr. LEWIS. First of all, with all the mergers that have taken place in the railroad industry, and I would assume in this case they would have the same criteria apply, the work rules are really resolved in some kind of a negotiation, and certainly part of any acquisition of this railroad by other railroads would involve the determination of work rules. In fact, that is one of the advantages I see in having private industry handle these negotiations rather than the Government, because I am convinced, for example in the scenario presented by Mr. Crane, that there is no way he is going to get the concessions of $200 million from the local governments. Nor is he going to get the $200 million in concessions from the labor unions that he is anticipating, as long as it is owned by the Federal Government. And if that is correct, his so-called wish list could cost this Government somewhere between $2 and $4 billion by 1985, and still have a railroad that is never going to be viable.

Senator HEINZ. What happens in terms of cost to the Government, if we are unsuccessful in achieving a controlled transfer by September 30, 1982?

Secretary LEWIS. In cost to the Government, Senator, I see nothing but benefits. First of all, the buy-out of the labor protection has got to be positive when you look at the need to lay off people. Now there is no incentive to lay anybody off on Conrail because you pay them whether they work or not, so you might as well keep them around doing nothing.

If nothing else, at that point I contend we have a better railroad. And I think we should also——

Senator HEINZ. Do we have a profitable railroad?

Mr. LEWIS. My feeling is that Conrail at best will never be more than either a breakeven, a loss or a very marginally profitable railroad, and that if we continue with the Federal investment we are probably going to see that escalate from $6 billion potentially to $10 billion. If you take the optimistic forecast by Conrail or USRA you are talking about $400 million profit. If you take a cost factor of money at 10 percent, which is certainly low, just to be breakeven on the cost of money, you are talking about needing $1 billion. It is never going to realize those revenues.

My feeling is that what we have to accept when we sell Conrail, and I think this is an important part of it, we are not going to recover our investment in Conrail. We are not going to cover the $3.3 billion we have in rehabilitation, the $2.2 billion to the Penn Central. We are going to have to discount Conrail when we sell it.

I have worked for the last 10 years in bankrupt companies. I have never found a company that was not salable. It is a matter of terms and conditions, and Conrail is going to have to be discounted when it is sold. My contention is even if the Federal Government takes a hit on the sale of Conrail, whether it ends up being $4 or $6 billion, we are going to have a better system in our area, better traffic and freight service, than we would under a government-operated system choked by two railroads with great strength, the Chessie and the Norfolk & Western.

PURCHASE OF SELECTED CONRAIL TRACKAGE

Senator HEINZ. Mr. Secretary, I am not trying to take issue with that per se. I might on another occasion. I might not. It depends. I am simply asking what in fact the costs to the Government are if you are unsuccessful in achieving a controlled transfer. Your answer was to give me an answer to another question I didn't ask, which is your prerogative. I am not being critical. Sometimes we do that when we don't know the answer to the question.

Let me ask you a question that you might know the answer to. Conrail now has roughly 17,000 miles of track. If Conrail peels off either 4,000 or 4,500 miles of branch lines that are of questionable profitability, they are left with roughly 12,000 or 13,000 miles of track.

Now, let us assume we take care of the title V. Let us assume we take care of the terminals. Let us assume we take care of the commuter rail. Let us assume we take care of that 4,000 or 4,500 miles of branch lines. You have this railroad that presumably is lean and hungry and in much better shape than it would have been otherwise. No one is doubting that.

What proportion of that 12,000 or 13,000 are controlled transfers actually going to get purchased?

Mr. LEWIS. First of all, let me answer your previous question. The cost to the Government if Conrail, at the point we eliminate the three areas which I contend have to be eliminated to make it a successful railroad, if it is a breakeven at that point, it will cost the Government nothing. If it is not breakeven, then it is a matter of what subsidy would be required at that time to see we continue to have the kind of service that we would like to see provided by Conrail.

Senator HEINZ. Well, you indicated that you didn't think Conrail could be profitable. Therefore, it is going to lose money and therefore it is going to cost the Government money.

Mr. LEWIS. Well, the only other alternative you have then is to shut Conrail down, which I would be opposed to, and so would you. Or you could go to the USRA scenario, which is cherrypicking. If you cherrypick Conrail, essentially what you are going to do, you're going to lose all the branch service which is so vital to States like Pennsylvania and you are going to end up with just the trunklines being picked up by the same railroads that I indicated would be interested in buying Conrail. We feel that the proper cutback in Conrail mileage is somewhere in the neighborhood of 3,500 miles. I think Conrail itself talks about 4,700 miles. We feel under out scenario we will have about 95 percent of the freight served in the Northeast and Midwest that is presently being served by Conrail.

Senator HEINZ. Do you feel that after you got rid of call it 4,000 miles, to split the difference between yourself and Conrail subtract that from the 17,000 and you have 13,000 miles. You are saying that 95 percent of the traffic would be——

Mr. LEWIS. Ninety-five percent of the freight will still move on Conrail.

Senator HEINZ. Do you have any studies to support that point?

Mr. LEWIS. We have it in our study and so does Conrail.

Senator HEINZ. Well, how do you know what is going to be picked up in controlled transfer? You maintain that all 13,000 miles would be picked up?

Mr. LEWIS. We are going to have to sell this on a package basis, the bitter with the sweet, and essentially that means that we are going to have to have service requirements on branch lines that go at the time of sale with the trunklines that are sold, with time requirements to serve those areas. In addition to that, in case of shutdowns at some time beyond that controlled service time, that you would have the ground revert to the Government so that we did not have people picking up lines with the idea at some point either developing the coal under them or some other benefit that would accrue to them by not providing service.

Senator HEINZ. That authority would have to be given to you in the enabling legislation, wouldn't it?

Mr. LEWIS. I don't know how best to handle that, and this is a question we have. The first two steps we submitted to Senator Domenici yesterday, which is money for labor protection and for the subsidies of commuter operations. I would assume that whatever recommendations we come up with on the sale of Conrail, assuming we reach that conclusion, that we would have to come back to the Congress for approval.

Senator HEINZ. But you anticipate doing the remainder, the 13,000 as one sale or as two sales, but in any event——

Mr. LEWIS. Probably three.

Senator HEINZ. Maybe three, but all the residual call it 13,000 miles would be transferred with service requirements?

Mr. LEWIS. Yes; the only exception would be the Delaware and Hudson. We have a unique problem there. We are presently supporting that so we keep it out of bankruptcy. Conrail would prefer to have it go into bankruptcy. We feel in terms of a controlled transfer, that line would be a real asset in terms of competitive service in the Scranton and Wilkes-Barre areas, and going up along the border between New York and Vermont. So with that one exception; yes.

Senator HEINZ. Mr. Secretary, the chairman has been very generous with the time of the committee and you have been very generous with your time. I appreciate it.

Mr. Chairman, I thank you very much.

Senator ANDREWS. We appreciate your coming.

Senator HEINZ. I thank Senator Abnor because he is next in line and had to sit there and listen to this exchange. I would like permission to submit a few extra questions in writing, too.

Senator ANDREWS. We would be glad to have you submit some questions for the record. It is interesting to watch the intramural Pennsylvania group go.

Senator HEINZ. Any differences in opinion are simply that I am not a Schwenfelder like most Pennsylvanians in the Cabinet. That is an inside joke.

Senator ANDREWS. Senator Abnor.

HIGHWAY BEAUTIFICATION

Senator ABDNOR. Thank you, Mr. Chairman. I enjoyed the exchange very much. I am not from one of the more fortunate States which have Conrail.

Mr. Secretary, very quickly, just glancing at your testimony, and taking a couple of parts of it out of context, you said the correlary policy goal is to return to the States, counties, and local jurisdictions the economy to deal with the transportation issues that concern the citizens alone, and in another place, in compliance with the actions—speaking about Mr. Reagan's recovery message—with the actions he has directed, we are putting our Department's regulations to the acid test. Do the benefits exceed the cost? Do the existing regulations involve the least cost to society? Or is there an alternative approach that we could do a better job with? Or the most crucial test of all, could we live as well or better without a particular regulation?

You know, I read that and I immediately thought of the highway beautification program. I was just wondering. I think it would be a great program to put to that test. Maybe States could handle it themselves. I admit we have more than our share of problems in South Dakota. How do you feel about the highway beautification program?

Mr. LEWIS. We concur with you and that is not in our budget. That has been deleted.

Senator ABDNOR. Good.

Mr. LEWIS. We anticipated your question.

Senator ABDNOR. Well, thank you. I will quit with that. If I have any other questions for the record, I may submit them.

One other thing. I guess everyone here has been very parochial at times talking about their own States. When you talk about bridges, I have a loo-loo in South Dakota that the people in the Department are familiar with. It's a bridge on the Missouri River called the Forrest City Bridge. We have had problems in the past with it. We have also received some help. Land is eroding away from the bridge and it is creating a real serious situation. I would just like to mention for the record that the bridge is in trouble, too.

I know you have an extensive list of bridges around the United States, but this is a very important bridge out there and I would like assurance that this bridge will be at least reviewed when you start taking all the other bridges into consideration.

I think you have probably stayed here long enough by now. Thank you, Mr. Chairman. If anything else comes to mind, I will put it in writing.

Senator ANDREWS. Thank you, Senator.

Mr. Secretary, I have a couple of questions. We had some interplay that touched on some of these. My colleague from South Dakota touched on billboards and I provided you on Monday with a memorandum about our problem. We have traditionally permitted billboards in North Dakota, and I trust you had some opportunity——

Mr. LEWIS. Did our general counsel get back to you on that?

Senator ANDREWS. No; but I assume he was going to and I just want to establish for the record today that you are in agreement with your Federal Highway Administrator, Mr. Barnhart, that no sanctions will be brought against those few States that are struggling to resolve these inequities which resulted from the development of the highway beautification program?

Mr. LEWIS. Yes; that is correct.

Senator ANDREWS. And then there is a question here of equal treatment under the law and my State's sign companies, along with those in a few other States, haven't been given equal treatment. We can either leave the signs up, as the Governor of North Dakota wants to do, but it would be a possible future peril if a less amenable administration threatens sanctions, or we can declare the signs compensable, which not only protects these property rights but opens up another method by which the signs can be allowed to remain standing.

I want to make it clear that I am not recommending a Federal expenditure to get these signs down. I simply want the compensability recognized.

Is it your view that this might be possible?

Mr. LEWIS. I thought it was at the time I met with you earlier in the week. I have a memorandum here and I have asked our general counsel to give you a call direct, since he understands the technicalities of it. He has told me that I cannot declare that the signs are compensable, that only a court can do that. As you know, this has gone through I guess three courts, including the Supreme Court. Therefore, if they are compensable, the only way that it can be handled is by a directive from the court and I do not have authority to do that.

Senator ANDREWS. But since the court has declared that these signs are compensable, and even the Supreme Court has declared they are compensable, then can't you go along with that court decision, once made, or do we have to have separate court decisions for each of these actions?

Mr. LEWIS. I am really not qualified legally to answer that question. I would rather have John Fowler, who is general counsel, review this with whomever you would like to have him review it. From a legal matter, if I have that authority I am satisfied to do it. If I don't, I can't do it.

Senator ANDREWS. The people from your shop are going to be up tomorrow and maybe we can get that on the record tomorrow.

Years ago John Rooney, who coached me in this appropriations business, as a matter of fact some 16 years ago, told me never ask a question of the witness unless you know what the answer is. I asked the question thinking I knew what the answer was, but you say you have had a glitch in the problem since we talked last.

Mr. LEWIS. That is correct.

RAIL LOAN GUARANTEES

Senator ANDREWS. Let me run one other question by you. We discussed on Monday last Friday's Wall Street Journal article pointing up that if the NorthWestern Railroad gets a $300 million loan guarantee from the Federal Government to in essence offer duplicate service into the Powder River basin, they will then make a $500 million profit over a 10-year period.

At a time when loan guarantees are really being cut back by this administration, and at a time when the Milwaukee Road is in such desperate straits across that northern tier of counties in South Dakota, it seems to me highly ridiculous, out of order, and not easily justified, if justifiable at all, to put in this amount of a loan guarantee to duplicate service when we have so many other places for this kind of loan guarantee program.

I would much rather, if we have $300 million in this loan guarantee program, see it put in that Milwaukee line from Miles City into Minnesota where there is desperate need for grain shipping, where there is desperate need for moving coal to a generating plant, and where there are no alternative means of moving these commodities, rather than put it in an area where there is already an alternative means.

What is your comment or suggestion on this?

Mr. LEWIS. Well, I understand your question and philosophically I agree with you in the manner in which you have just expressed yourself. No decision has been made on this project. The application is presently before us and it is premature for me to comment until I have had a chance to review it with the Federal Railroad Administrator, which I have not as of this time.

Senator ANDREWS. Well as you know, a number of my colleagues and I addressed a letter to you, colleagues on the Appropriations Committee, expressing our concern earlier about this. The article in the Wall

Street Journal I think exacerbates that particular concern, points it up even more than it had been before, and I wanted to cover it again, and as soon as you have a feeling of what can be done, we would appreciate knowing it.

I don't think that at a time—again, let me reiterate—when these loan guarantees are scarce, hard to find, and when there is such a demonstrable need in the case of the Milwaukee Railroad that we would put this kind of loan guarantee into, in essence, doubletracking and duplicating service that is already there.

Then you read the story that the $300 million in Federal loan guarantees is going to result in a $500 million profit within 10 years, good night Nellie, what are we doing?

Mr. LEWIS. What you're saying——

Senator ANDREWS. I am hoping that your administration is not going to do it. I guess that is about as strong a message as I can leave with you, Mr. Secretary.

Senator Abdnor.

Senator ABDNOR. I am sure the Secretary knows of South Dakota's great concern for the Milwaukee loan the chairman just spoke of. As a matter of fact, the early part of next week Mr. Blanchette will be coming to South Dakota. We certainly hope that he comes back with a very favorable view on this, because as the chairman said, it is absolutely imperative for that part of the country, if we are ever going to keep the economy going.

As a matter of fact, I have the good fortune, Mr. Chairman, of being chairman of a subcommittee on the Joint Economic Committee that deals with agriculture and transportation. I hope before we get through with that study we do impress upon the economists of this Nation and leaders in Government of the importance of agriculture and transportation. It does tie very closely together and in turn has a great effect on the economy of this Nation.

Senator ANDREWS. I am sure that the very hard working Senator from South Dakota agrees with me that if we have Federal loan guarantees, they would far better be put into a place like the Milwaukee Road than in duplicating service into an area that already has good service, out in the Powder River basin.

Senator ABDNOR. May I say one other thing?

Mr. LEWIS. Can I make a comment, so I am a little more explicit on this? Unless there is some overriding reason which at the present time I don't understand, if there is some overriding reason, we would obviously evaluate this a little differently. If there is not some overriding reason, there is no reason why we should not have a Federal guarantee in this particular case.

Senator ANDREWS. Well, the situation is that Federal loan guarantees are extremely limited. In the field of railroads, there is a whale of a lot of need for them.

Mr. LEWIS. No question.

Senator ANDREWS. And to hear that there is a continuation in this administration of the suggestion that we might make a Federal loan in that area, a guaranteed loan in that area to create duplicate service just doesn't make much sense and I would hope that we could kill this snake once and for all.

Mr. LEWIS. We are not suggesting that, but the application has been submitted to us, so I would like to have at least the opportunity to see why the application was submitted.

Senator ANDREWS. I would like to in the same area of the country draw your attention to the critical need of doing something with that main line of the Milwaukee from Miles City east into Minnesota, and I appreciate the support that my colleague from South Dakota gives to that concept.

Senator Abdnor, do you have additional questions?

BILLBOARD LEGISLATION

Senator ABDNOR. Well, just one last thing on the issue the Secretary brought up. Chairman Stafford of the Environment and Public Works Committee, of which I am also a member, had a bill dealing with billboards that would give an option to States whether they want to leave it to themselves or the Federal Government. Does that bother you, that kind of legislation? Could you see yourself supporting it? Is it too early to tell?

Mr. LEWIS. Our feeling is if the States want to assume this responsibility, if that is your question, that is fine with us. As far as us providing funding, this happens to be one of the advisory committees I looked at. We have a committee reviewing this and a staff I think of 15 people working in this area. I don't think it is something that the Federal Government should be involved in.

Senator ABDNOR. Thank you.

Senator ANDREWS. All we want to do is make them compensable.

Mr. LEWIS. Make them compensable and provide no money, right?

Senator ANDREWS. Well, I didn't say provide no money, but if we make them compensable I think I know how to take care of the situation.

SUBMITTED QUESTIONS

Mr. Secretary, we have appreciated your appearing before us this morning. Your answers have been very candid and most helpful to the subcommitee. A number of my colleagues and I have additional questions for the record that we will submit for your response. Thank you very much.

Mr. LEWIS. Thank you very much for having me.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

JAPANESE AUTO IMPORTS

Senator Andrews: To what extent is the Federal Government responsible, through regulatory burdens or otherwise, for some of the existing financial problems of the domestic automobile industry?

Response: The government must take part of the responsibility for the existing financial problems of the domestic automobile industry in at least four areas: (1) adopting policies which kept the price of gasoline unrealistically low from 1976 through 1978, thereby sending the wrong economic signals to the industry and the auto buying public; (2) imposing a burden of regulations which, while perhaps separately justifiable, caused in total substantial costs to the industry; (3) establishing an adversarial relationship with the industry that prevented effective communication and cooperation; and (4) implementing general economic policies that contributed to the inflation and high interest rates which reduced auto sales.

It must be emphasized that we are talking about only part of the overall responsibility. Industry management and labor obviously must share a large part of the blame and, as the President has stated, must be the primary contributors to the solutions of the problems.

Senator Andrews: Under what conditions and for what reasons do you believe that the Federal Government should provide financial assistance to our nation's automotive or other transportation manufacturers?

Response: As a matter of general economic policy, we believe that direct government financial assistance to an auto manufacturer or any other manufacturer is undesirable and perhaps counterproductive in the long run. Specific situations must, however, be judged on their individual merit and need, and we cannot set conditions in advance.

FUTURE AMTRAK SYSTEM

Senator Andrews: When Mr. Blanchette addressed this committee a few weeks ago, he indicated that decisions regarding specific route reductions were the responsibility of Amtrak's management, not DOT's. In a statement made on the ABC Network on March 26, 1981, you appeared to be promoting the elimination of all routes except those along the Northeast Corridor. Are route determinations and other management issues the responsibility of Amtrak or DOT?

Response: Route and fare determinations are the responsibility of Amtrak management and FRA has met with Amtrak staff over the last few weeks to review Amtrak's "NEC only" impact assessment of the $613M funding level. We have no fundamental problems with Amtrak's NEC FY 1980 cost figures or allocation procedures. However, we do not agree with their apparent status quo proposition that FY 1980 cost figures should be extrapolated to FY 1982 without any management efficiency considered. We feel that imposition by management of cost improvements could result in at least a 8-10% cumulative savings through FY 1982 over the FY 1980 base. This, coupled with aggressive price adjustments, elimination of the least profitable routes, and legislative changes on labor protection costs could result in retention of a sizeable part of the current system.

CONRAIL AND USRA

Senator Andrews: What is your position on the question of whether the functions of the U.S. Railway Association should be terminated and transferred to the Department of Transportation?

Response: The U.S. Railway Association was created as a temporary agency to plan the restructuring of the Northeast railroads. USRA now functions as Conrail's banker, monitors the performance of Conrail, and is responsible for the litigation arising from the restructuring process. USRA's litigation functions should soon be greatly reduced or eliminated.

The continued performance of USRA's non-litigation functions is intimately tied to the future of Conrail. On March 31, the Department submitted to the Congress its report on the future of rail services in the Northeast in response to section 703 of the Staggers Rail Act of 1980. We recommended the early integration of Conrail's facilities into the national private rail network. If this recommendation is accepted by the Congress, the non-litigation functions of the U.S. Railway Association will substantially diminish, and those remaining could be effectively and efficiently performed by the Federal Railroad Administration in the Department of Transportation.

TITLE V LABOR PROTECTION

Senator Andrews: There seems to be a consensus that Title V labor protection for railroad employees needs to be reexamined. What recommendation do you have for changing these provisions?

Response: The existing Title V labor protection legislation should be repealed. It has served its purpose of providing labor protection to the employees adversely affected by the restructuring of the bankrupt Northeastern railroads. The Staggers Act clearly stated that when the current authorization was expended, Government funding for the Title V program would cease. Neither Conrail nor any private sector alternative can both provide service and pay Title V costs on a self-sustaining basis.

Current beneficiaries are being protected from declines in traffic, and not from the restructuring of the Northeast railroads. Employees on other railroads do not receive such protection. Employees affected by further Conrail restructuring should receive protection.

The Department proposes a three-part labor assistance program based on the concepts of Milwaukee Railroad Restructuring Act. It includes: (a) one-time separation payment based on years of service, moving and retaining expenses all funded by the Government, (b) an agreement between labor and acquiring railroads to include wage protection for employees hired under service transfers, and (c) an aggressive hiring plan to provide trained and qualified Conrail employees willing to relocate with employment opportunities on other carriers.

CONRAIL COMMUTER SERVICES

Senator Andrews: Regardless of the outcome of the Conrail issue, there is general agreement that Conrail commuter services should be separated from its freight operations. What do you recommend be done with the commuter services?

Response: Commuter services should not be operated by Conrail or any other freight railroad but, rather, by a passenger-oriented entity. Legislation soon to be submitted to the Congress would require the transfer of Conrail commuter service responsibility to the particular commuter authority that has contracted for the service or, if the commuter authority is unable to provide the service, to Amtrak.

Conrail Commuter Subsidies

Senator Andrews: Is it reasonable to propose elimination of mass transit operating subsidies to local authorities throughout the country and still promote operating subsidies through Conrail, or its successor, to commuters in the Northeast?

Response: The Administration's budget proposals assume a gradual phase-out by FY 1985 of Federal transit operating subsidies including those now used to subsidize Northeastern commuter services operated by Conrail. We do not intend to propose a long-term operating subsidy program for commuter services currently operated by Conrail.

REGULATION OF AIRLINE INDUSTRY

Senator Andrews: What principles do you believe should guide Federal regulation of the airline industry?

Response: On the domestic side, we are in a transition phase between the heavily regulated environment that existed before 1978 to a completely deregulated environment which will exist in 1983. The Civil Aeronautics Board is phasing out route regulation, which will end this year, phasing out fare regulation, which will end at the end of 1982, as called for under the Airline Deregulation Act of 1978, and is implementing the domestic subsidy program for small communities as called for under the legislation.

As a practical matter, the industry is close to deregulated. The transition to deregulation is working well and no changes are needed.

On the international side, the CAB is continuing to regulate international routes and fares. The extent of regulation is largely determined by bilateral agreement between the two respective countries. Many are restrictive while others authorize extensive pricing flexibility and entry. Results under both types of agreements are being monitored and review will continue before deciding upon any changes in present policy.

AIRPORT/AIRWAYS PRIORITIES

Senator Andrews: Do you believe that funds should be shifted away from hub airports and into more funding of FAA operations and the en route navigation system? Why?

Response: Our legislative proposal is not intended to bias investment decisions. It is based on the observation that airport investment is predominantly local in origin whereas airway investment is predominantly Federal. Therefore, in a time of fiscal stringency, a portion of airport investment can be accommodated by airport operators.

We do not anticipate a decrease in airport investment because we believe most airports will replace the Federal revenues with local revenues. In order for air traffic to be handled efficiently, it is necessary to have a balance between air traffic facilities and airport capacity. We believe that balance will be maintained with our legislation.

GENERAL AVIATION COST RECOVERY

Senator Andrews: What evidence can you provide on whether general aviation is or is not paying its fair share of the cost of the airport and airways system?

Response: A study done by the Office of the Secretary in 1972 indicated general aviation's share of FAA costs was about 30%. A 1978 study by FAA was used as the basis for our conclusion that general aviation was responsible for about 27% of FAA costs in 1972.

There are a number of different methodologies for determining the allocation of costs to users of the national airspace system. The Office of the Secretary study and the part of the FAA study used were similar in assigning the operations costs as a function of system usage. Capital investment, however, varies from year to year, and the two studies treated the allocation of these costs differently. The OST study averaged investment over several years, while the FAA study allocated the costs on a yearly basis. Either method produces results which are fairly similar.

The FAA study also considered other allocation assumptions including determining the costs of a minimal air traffic control system for general aviation only. The general aviation lobby groups support this concept and argue that, if it weren't for air carriers, the cost of service would be much lower. While this is a correct statement, air carriers could make a similar assertion--their assigned costs would be lower if general aviation were not allowed to use the same airspace. The general philosophy applied is that each segment of aviation should pay its proportionate share based on use because the safety and efficiency benefits are available to air carriers and general aviation on an equal basis.

HIGHWAY BRIDGES

Senator Andrews: How would you characterize the condition of our Nation's bridges? What quantitive estimates can you provide on the number of bridges needing repair or replacement? Provide for the record a detailed estimate of the number of such bridges by category of urgency and estimated costs.

Response: A deficient bridge is one that has been classified as structurally deficient or functionally obsolete. A structurally deficient bridge is one that has been restricted to light vehicles only, closed, or immediate rehabilitation is necessary to keep it open. A functionally obsolete bridge is identified as one on which the deck geometry, load carrying capacity, clearance, or approach roadway alignment can no longer safely service the system of which it is an integral part.

There are 524,000 bridges in the national inventory--256,000 on the Federal-Aid system and 268,000 off-system. The following table identifies those that are deficient and the estimated cost of replacement and rehabilitation.

Bridge Classification	December 1979	December 1980
Inventoried Off-System Bridges		
structurally deficient	24.8%	31.0%
functionally obsolete	23.8%	25.4%
Inventoried Federal-Aid Bridges		
structurally deficient	8.4%	9.2%
functionally obsolete	13.9%	14.8%

Current Estimates of Costs
(in billions of dollars)

	Replacement	Rehabilitation	Total
Off-System Bridges	$16.4	$ 4.1	$20.5
Federal-Aid Bridges	11.7	8.9	20.6
Total	$28.1	$13.0	$41.1

COMPLETION OF INTERSTATE SYSTEM

Senator Andrews: What priority do you propose to give to completion of the Interstate System versus its preservation? How do you address this in your legislative proposal?

Response: DOT recognizes that completing the Interstate System, as it is currently defined, is impossible at existing authorization levels. For this reason, we have proposed legislation which would limit Interstate completion costs to that work which is essential to ensure a minimum level of acceptable service on a safely operating system. The total cost of the redefined system is $31.5B and the Federal share is $28.4B. We propose to delete nonessential categories of work on all segments and limit the number of lanes to six in large urban areas and four elsewhere. The deleted items, which include rest areas, weigh stations, landscaping, noise barriers, etc., reduce the earlier cost completion estimate by over 40%.

In addition to this general system redefinition, DOT will review all unbuilt segments to determine those that are not essential to system connectivity and not justified based on cost-effectiveness or environmental grounds. Our proposed legislation would give DOT the authority to delete these segments from the system, with local areas receiving Interstate transfer entitlements if otherwise eligible.

Many local areas are currently considering withdrawal of Intersate segments under 23 U.S.C. 103(e)(4). DOT has already approved $.5B in withdrawals since the beginning of this calendar year. We anticipate additional withdrawals of $6B by September 30, 1983, deadline. Recently approved and anticipated withdrawals further reduce Federal Interstate completion costs to $22B. Existing authorizations through 1990 will fully cover this cost, based on the Administration's inflation projections which average slightly over seven percent a year.

The second Interstate issue, and of more immediate bearing to the efficient movement of goods and people in the near term, is the preservation of the 94% of the system which is now completed and open to traffic. In response to serious pavement deterioration over the past several years, our legislation shifts emphasis to significantly increase funding for Interstate resurfacing and repair (4-R). Work deleted from Interstate completion can be funded under the expanded Interstate 4-R program. Our legislative proposal seeks a 10-fold increase in such authorizations over the period of the bill, from the present $275M to $2.7B in FY 1986.

Available data indicate that the current backlog of Interstate pavement, bridge deck, and tunnel repair needs is about $8B, with an additional $1.5B accruing annually. The authorizations proposed in our bill are sufficient to cover accruing needs, so that the backlog is held constant and the Federal investment in the System is protected. In subsequent years, after national economic conditions improve, we intend to seek additional funds so that the backlog and remaining 4-R needs can be fully funded to restore the Interstate System to top condition.

MASS TRANSIT

Senator Andrews: Mr. Secretary, the previous administration apparently had a goal of increasing transit ridership by 50% between 1980 and 1990. Does the current administration have such a goal? If so, what is it and how is it reflected in your budget request? What do you think will be the impact of your budget request on transit ridership?

Response: The Federal Government's principal role should be to provide capital assistance to local transit systems. At least until the economy improves, capital assistance should be focused on existing transit systems of proven effectiveness.

Operation of transit systems should be a State and local responsibility. We propose to phase out Federal operating assistance by FY 1985. No reduction is proposed in FY 1982 operating assistance, so local areas will be able to make the necessary adjustments.

LABOR PROTECTION

Senator Andrews: There has not been a public takeover of a transit company in more than five years, yet Section 13(c) of the UMTA Act of 1964 is still in existence and is being interpreted as a labor protection clause for every instance in which Federal funds are used. What is the estimated cost of this Federal legislation to local authorities and what proposed changes do you suggest?

Response: We are concerned about the cost imposed on local transportation services by regulations. Although many of the Federal requirements will be eliminated with the phase out of the operating assistance program, we plan a thorough review of all the requirements to determine where changes could be made to allow state and local officials to operate their systems more efficiently.

Our review of existing regulations will include the 13c labor protection requirements and we will work with the Department of Labor to administratively make any changes that appear appropriate.

D. C. METRO

Senator Andrews: What is the extent of your commitment to continued future Federal funding participation in the Washington Metro system?

Response: In keeping with overall transit policy, the revised budget contains sufficient funds to complete operable segments of the Metro rail system. Determinations of those operable segments will be reached in conjunction with the affected jurisdictions.

Metro funding will consist of Interstate Transfer funds at $275 million and Stark-Harris funds, the level of which will be determined at a later date based on the amount necessary to complete operable segments of the system. In any event, Stark-Harris funds could only be available after a finding by the Secretary that the jurisdictions have in place "stable and reliable" revenue sources. This determination has not yet been made.

COAST GUARD PERSONNEL AND CAPITAL NEEDS

Senator Andrews: Mr. Secretary, what is your assessment of the ability of the Coast Guard to meet its current missions with existing facilities, equipment and personnel?

Response: A comparison of the budgets for FY 1978 and the current budget clearly shows that, in terms of allocation of Departmental resources, the Coast Guard has done well in recent years. While Departmental funding requests as a whole rose 47%, the Coast Guard's requests grew 63%. Funding requests for AC&I also rose 65% during the same period. Military staffing increased by over 1,000 while civilian staffing in the Department as a whole declined by over 7,300. This budget provides an 11% increase in funding for replacement and improvement of Coast Guard facilities (AC&I), $65.7 million in additional operating funds, and an increase of 85 military positions.

Congress directed that a study be conducted of the Coast Guard's roles and missions in order to provide a sound basis for long-range planning and budgetary justification. The study--the first comprehensive look at the Coast Guard since 1962--will look at suitable alternatives, such as the possibility of eliminating missions no longer useful or justified, and transferring missions to other Federal agencies, private organizations, state and local governments. The results of this study, now anticipated to be completed early in calendar year 1982, will provide the kind of comprehensive framework within which USCG's budgetary and staffing needs can be properly assessed.

COAST GUARD USER CHARGES

Senator Andrews: What is the rationale behind your legislative proposal for Coast Guard user charges? On what basis (studies, etc.) did you determine what would be an equitable allocation of costs?

Response: The legislation would permit recovery of up to 50% of the costs of certain Coast Guard services from individuals and businesses who benefit from them. These services include, among other things, search and rescue operations; short and long-range electronic aids to navigation; inspection of boating facilities; vessel documentations; waterfront and offshore facility inspections; licensing, and certification of vessel crew members.

A graduated system of fees phased in over a 5-year period would recover approximately $500 million annually by the end of fiscal year 1986. The fees for these services will be developed through the regulatory process.

We estimate that in 1980 the USCG saved over 7,000 li property valued at $1.8 billion. The fees anticipated from the boating public and shipping interests are therefore only a fraction of the value of lives and property saved.

In the past, the Coast Guard has participated in the Impact Study which led to the establishment of user charges on the Inland Waterway. For over 10 years the Coast Guard has been involved with the Water Resources Council, examining user charges not only in the area of navigation but extending to all other types of Water Resources user charges. DOT does not believe that the user charges to be proposed will be burdensome to the recreational boaters/marine industry, nor is it anticipated that these fees will have any significant impact on the prices of goods shipped on commercial vessels.

RECREATIONAL BOATING SAFETY

Senator Andrews: Taxes have been collected and are reserved in a special fund at Treasury for recreational boating safety. Why is no appropriation being requested for this purpose?

Response: There are no plans at this time to implement the provisions of the Recreational Boating Safety and Facilities Improvement Act of 1980. Because the earlier State Boating Safety Assistance program achieved its originally intended purpose of encouraging states to develop and implement boating safety programs, the Administration elected not to seek appropriation of funds authorized by the new Act.

HIGHWAY SAFETY

Senator Andrews: What automotive regulations have you announced that you are rewriting, delaying, or repealing? By what criteria will you evaluate those regulations? What would be the impact of these actions on NHTSA's budget? On industry? On consumers? On traffic fatalities?

Response: NHTSA is conducting the review of all existing and proposed automotive regulations with oversight from the Office of the Secretary. This is part of a larger DOT-wide regulatory review. Criteria to be used are: (a) incremental costs, (b) sunk costs, (c) paperwork burdens, (d) impact on small businesses and state and local government, (e) incremental benefits, and (f) environmental impacts. The criteria are to be applied to the existing or proposed regulation and all the alternatives. Less costly alternatives must be considered and analyzed.

While there will be negligible impact on NHTSA's 1982 budget, there will be major impacts on the manufacturers, suppliers, and consumers.

PASSIVE RESTRAINTS

Senator Andrews: What is the status of regulating the installment of air bags in automobiles and what is your position on this issue?

Response: For now there is a one-year delay in implementing the existing passive restraints standard. This action should certainly not be viewed as ignoring the possibilities of safety benefits. In fact, large cars are generally the safest automobiles on the road and constitute a small portion of the overall fleet.

[illegible] st problem, moreover, is the growing number of subcompact [illegible] their relatively high probability of occupant injury in a crash.

There are many serious questions about the present requirements including whether modifications could result in improved levels of safety as well as economic savings. We are now looking at three options: (1) no standard; (2) a standard to take effect in 1983 or 1984 for all cars; and (3) a standard to take effect in 1983 for small cars and in 1984 for all remaining cars. Smaller and technical issues are also being reviewed.

TRANSPORTATION POLICY

Senator Andrews: Do you plan to issue a comprehensive statement of this Administration's transportation policy in the near future? Are your decisions based on such a conceptual framework or are they made ad hoc?

Response: DOT will issue a brief general statement on transportation policy. It will stress reduction in spending, an increased role for user charges and reduced regulation.

DOT ROLE

Senator Andrews: Mr. Secretary, what is the purpose of the Department of Transportation and how has its function changed over the last ten years? What trends do you see for the future role of the Department of Transportation?

Response: The basic purpose of DOT is to provide a focal point in the Executive Branch for transportation policy formulation. The Secretary of Transportation is able to analyze transportation policy issues without being committed to the interests of any particular mode and is able to look at questions affecting a particular mode in the context of the overall transportation system. No need is seen for any major changes in this role.

TRANSPORTATION RESEARCH

Senator Andrews: What is the proper Federal role in automotive research? What is the proper role for DOT in basic research vis-a-vis that of private industry and university research?

Response: DOT's legislative mandate includes a requirement to "stimulate technological advances in transportation," a requirement which suggests some role for DOT in basic research. It is this Administration's position, however, that the nature of DOT's involvement in basic research will have to be justified on an issue-by-issue basis. The Cooperative Automotive Research Program (CARP) is inconsistent with the basic philosophy of this Administration that transportation research and development should be performed and supported to the maximum extent feasible by private enterprise.

Not unlike the basic research role for DOT, the role of DOT vis-a-vis universities must be decided on an issue-by-issue basis, and any research and development undertaken by the Department should be done in a way to encourage, not to compete with, the private sector.

TRANSPORTATION FOR THE HANDICAPPED

Senator Andrews: What is your view with regard to Section 504 regulations for the handicapped? When will your review be completed? Have any benefit-cost studies been performed in this regard? What alternative ways of providing access to the handicapped are you considering?

Response: DOT believes that localities should be given the opportunity to provide transportation for handicapped persons by means other than making the regular transit system fully accessible.

The transit bill transmitted to Congress on March 17 contained a provision allowing local areas to provide transit service to handicapped persons that it is "reasonably comparable" to maximum transit service. In the descriptive material accompanying the bill, we said we intended to propose a more precise statutory definition of this "local option" approach.

While we intend to seek legislative change, we will also review the existing DOT regulation administratively. Our administrative flexibility is constrained by guidelines, originally issued by HEW and now under the Department of Justice jurisdiction, which govern the implementation of Section 504 by all government agencies. The Justice Department has begun to review the existing guidelines.

In addition to the "local option" issue, there is the "rail retrofit" issue. Under the current regulations, cities with existing rapid rail systems are required to retrofit, over a period of years, a certain percentage of stations so that they will be accessible to handicapped users. The regulations permit a waiver of this requirement if the local area will provide comparable alternative services for handicapped persons. This issue is also being addressed in the proposed statutory language we are developing.

BUY AMERICA

Senator Andrews: Last year's appropriation's act contains language pertaining to "Buy America". What are your views in regard to continuing this language in the 1982 bill?

Response: The Department of Transportation continues to support the objective to strengthen and enhance the competitive opportunities of the surface transportation equipment industry in the United States. It is only with a vigorous and competitive industry that we can meet the transportation needs of the United States for the next decade. Even though the Buy America requirements of Section 401 have been in effect for only two years, it is believed that Section 401 has worked well to provide a responsible preference to domestic industries and to encourage new investment in the U.S.

Nevertheless, DOT does not support the continuation in fiscal year 1982 of the referenced language in the FY 1981 Department of Transportation and Related Agencies Appropriation Act. The intent of the language was to require DOT to reconsider whether it should allow states to apply stricter buy national requirements in projects where the Department provides 80 percent of the funding. The UMTA regulations in question had previously precluded the application of state and local requirements which are not consistent with those of Section 401, and the Department continues to oppose the application of inconsistent state buy national requirements to UMTA-funded projects. While the Conference Report on the FY 1981 Appropriations Act attempted to meet some of our concerns by providing that the Federal exceptions of public interest, unavailability and increased costs would apply to state buy national preferences, these case-by-case determinations involve an unacceptable Federal interference with a state's affairs. It puts the Secretary of Transportation in the unfortunate position of attempting to execute the laws of the several states. It is much more efficient and sound, from both an administrative and legal perspective, to indicate clearly to the states that the acceptance of Federal funds requires the exclusive application of the Buy American requirements of Section 401. This would allow the taxpayers' moneys to be expended in the most efficient manner possible, while at the same time realizing the objective of protecting U.S. industries competing for the market created by these funds.

INSPECTOR GENERAL

Senator Andrews: What actions have you taken to improve the results achieved by the Office of the Inspector General?

Response: The Department has recently established an internal work group, representative of all Departmental elements, to address the Department's capability to identify and eliminate fraud, waste, and abuse, and to make recommendations to the Secretary for improvement. For example, the Department's FY 1981 appropriations hearings, the motor carrier safety program and the USCG small arms repair facility in New York were identified as being especially vulnerable to fraud and abuse. In the case of the USCG repair facility, it has been relocated from Brooklyn to the USCG-owned facility on Governor's Island where security is now considered satisfactory. In response to further Congressional interest, DOT is conducting a study of the Bureau of Motor Carrier Safety, which is scheduled for completion in August 1981. The Department will continue to take appropriate action to be more responsive to the recommendations of both the internal Office of the Inspector General and the General Accounting Office.

Transportation Subsidies

Senator Andrews: Would you please tell us which modes of transportation are subsidized by the federal government and in what ways?

What is the impact of each of these direct and indirect subsidies on competing modes of transportation? Who in the Department of Transportation is responsible for considering these intermodal impacts and by what criteria do you evaluate the relative need or desirability for continuing the current levels of federal funding?

Response: Subsidization of various modes of tranportation is a complex question requiring detailed analysis of vast amounts of empirical data. However, a few basic observations are important to illustrate our position. The lion's share of intercity travel is by automobile. Since the highway program has long been funded entirely by fuel and other user taxes, there is no direct federal subsidization from general revenues. Virtually all groups are satisfied with this 100% "user pays" arrangement.

In aviation, a trust fund was established in 1970 with user taxes paying a significant portion of the costs of the Federal Aviation Administration. We see the need to reduce the limited subsidization which currently exists and have proposed legislation to adjust the taxes and the items funded from the trust fund so that all costs attributable to civilian users of the system would be recovered through user taxes.

At the other end of the spectrum is AMTRAK. At the present time, the taxpayer is paying about 60% of the operating costs and 100% of capital costs. In 1981 this amounts to over $800 million. Expenditures of this magnitude for only 1% of the intercity ridership are excessive and in sharp contrast with all other modes. We believe that a more even-handed policy of reducing subsidies for all modes will lead to more efficent allocation of resources and improve efficiency in transportation across the board.

Within DOT, both the Assistant Secretary for Budget and Programs and the Assistant Secretary for Policy and International Affairs bear responsibility for analyzing subsidy and funding issues among the transportation modes. Criteria used to evaluate relative funding needs include transportation efficiency, program cost effectiveness and user and other cost impacts in the movement of goods and services.

TRANSPORTATION DECISIONS

Senator Andrews: In your judgment, to what extent do local communities make transportation decisions based on the availability of certain types of Federal funding? What is your reaction to this and what changes do you see for the future?

Response: Transportation decisions by local communities are based to a large extent on the availability of certain types of Federal funding. Most communities are interested in getting the maximum amount of Federal assistance available. Discretionary grants, established for very specific purposes, tend to influence or distort priorities the most. Formula grants, which generally are made available for a wide range of activities often result in the expenditure of more money for the purposes for which they are available, but do not have the effect on priorities that more restrictive categorical grants have.

Our reaction is that the Federal Government should take advantage of the leverage potential of Federal funds. To accomplish this, the Federal programs should focus on transportation projects and programs of national interest and importance. For example, in our recent highway, transit, airport and railroad legislation, we make more Federal assistance available for programs of national interest. We also increase the flexibility in use of some other programs to encourage greater local expenditures and to minimize Federal intrusion on local priority setting. Some specific categorical programs, that infringed on local priorities or distorted local decisions, are to be eliminated. We expect to propose more changes in the future that would increase local flexibility for a wide range of transportation programs and would narrow the Federal focus to a few significant national programs.

FEDERAL ROLE IN TRANSPORTATION SAFETY, ENVIRONMENT AND ENERGY

Senator Andrews: What is the proper Federal role of the Department of Transportation on issues of transportation safety, environmental protection and efficient energy use?

Response: Some aspects of transportation safety, environmental protection or energy use can be handled only by the Federal Government. For example, commercial aviation, as we know it, can function safely only if a single national entity (Federal Aviation Administration of DOT) has appropriate authority to exercise safety control over the national airspace. As another example, pollutants emitted from a motor vehicle pollute the air that everyone breathes, but contributions made by an individual car are so small that an individual car owner has little or no incentive to control the emissions from his own car. In this instance, public agency action is essential to assure clean air. Whenever public action is necessary, the Federal Government should be involved only where action by state or local authorities would not be as effective or appropriate. Moreover, whenever the Federal Government does act, it should do so in the most cost-effective way possible.

FINANCING OF TRANSPORTATION INVESTMENT OR OPERATIONS

Senator Andrews: What criteria do you intend to employ for the justification of direct federal financing of transportation investment or operations?

Response: It is a DOT priority to encourage and enable the private sector to finance and implement transportation services, before Federal involvement. In addition, the Department expects state and local governments to fulfill transportation needs that are essentially state or local in scope. In this way, direct Federal financing of transportation activities will be kept to a minimum. Direct Federal financing of transportation investment and operations will be continued only where it can be demonstrated that the private sector is unable to provide financing; the transportation service in question is national in scope and is vital to the national economy; and the national benefits exceed the federal costs when an appropriate discount rate is applied. These criteria are exemplified in many of the Department's recent proposals, including: curtailment of Amtrak in accord with more realistic criteria for cost-effectiveness; restructuring of Conrail to enable the return of facilities and operations to the private sector; and defederalization of airports that have sufficient activity levels to finance improvements through user charges.

INTERMODAL OWNERSHIP

Senator Andrews: What restrictions on intermodal ownership do you believe are appropriate?

Response: If competition among carriers operating within and across modes is maintained, intermodal ownership can result in significant cost and service benefits. By encouraging innovation and altering status quo operating and management practices, commom ownership could result in shippers receiving new and better rate/service transportation options.

The independent regulatory agencies have recently begun to reduce barriers to intermodal operations. The Interstate Commerce Commission in 1978 approved a single-rate barge/rail tariff, a new rate/service option that apparently reduced grain shipping costs from Iowa to New Orleans significantly. More recently, the ICC has moved to deregulate trailer-and-container-on-flatcar movements, and this policy is desirable because it will increase rail carriers' ability to compete for this traffic.

The National Transportation Policy Study Commission recommendations suggest additional steps towards intermodal ownership:

1. Federal impediments to common ownership and intermodal cooperation should be eliminated (although some restraints on common cownership may be necessary to preserve competition);

2. A common definition of 'through bill of lading' should be adopted by Federal agencies;

3. Differences between CAB, ICC, and FMC publications of regulations affecting through rates should be eliminated;

4. Cargo liability laws should undergo further standardization.

In short, there are benefits that can be achieved by relaxing the legal and regulatory barriers that prevent intermodal ownership. But any legislation proposed to accomplish this end must be drafted to ensure that adequate competiton among the modes is maintained.

ECONOMIC CONSEQUENCES OF REGULATIONS

Senator Andrews: What specific procedures have you established to analyze the economic consequences of safety, energy, environmental and other regulations?

Response: The Department is implementing the President's Executive Order 12291 on Federal regulation. All major rules of the Department require a Regulatory Impact Analysis which assesses the potential costs and benefits associated with the regulations to ensure that the regulations provide positive net benefits to society and employ the least-cost regulatory alternatives. These procedures apply to major rules which are either pending or under development. Also, in accordance with the Executive Order, the Department is reviewing existing regulations, such as the rules which require recipients of Federal financial assistance for mass transit purposes to provide access to handicapped persons and several rules on motor vehicles imposed by the National Highway Traffic Safety Administration. Some actions to reduce the regulatory burden on the automobile industry which came out of this priority review effort, combined with the efforts of the President's Task Force on the Auto Industry, have been announced recently.

INTERNATIONAL AIR NEGOTIATIONS

Senator Andrews: Can you suggest any better way to deal with international air agreement negotiations than has been followed in the past?

Response: In recent months, at aviation bilateral negotiations, the U.S. has attempted to follow the international aviation policy guidelines established by Congress in the International Competition Act of 1980. The guidelines stress the development of a competitive environment in international aviation. In implementing these guidelines, DOT will seek to assure in each individual negotiation that U.S. carriers are placed in the strongest possible competitive position vis-a-vis foreign airlines. This will include giving greater emphasis to the elimination of discriminatory practices by foreign countries against U.S. carriers in such commercial areas of activity as ticket selling, ground handling, and currency remittance.

Senator Andrews: What do you believe are the proper respective roles of the Secretary of Transportation and the Secretary of State in the international negotiations?

Response: The Secretary of Transportation is responsible for developing broad transportation policies and long range objectives for the Executive Branch with respect to international aviation. This should be done in conjunction with the Department's responsibility for promoting an efficient and coordinated national transportation system. The Department's role in developing economic regulatory policies with respect to international air carriers and in contributing staff support in preparation for negotiations should increase as CAB sunset approaches.

The Secretary of State should provide foreign policy guidance for the negotiations. The State Department should coordinate with DOT and CAB, in its communications with foreign governments on aviation issues and problems. The State Department chairs international aviation negotiations and coordinates communications regarding negotiations between the other interested agencies.

BENEFIT-COST ANALYSIS

Senator Andrews: Are you able and willing to perform benefit-cost analysis on the trade-offs between modes of transportation? Give some specific examples.

Response: The Department supports the application of benefit-cost analysis to transportation decisions, including intermodal trade-offs. Through experience, however, we are appreciative of the many practical difficulties in performing benefit-cost analysis - for example, the difficulties of determining an appropriate discount rate; establishing a dollar value for safety benefits and social costs; and projecting uncertain future impacts of transportation investments. Nevertheless, whenever possible we do use benefit-cost analysis to make intermodal trade-offs. At the project specific level of decision-making, benefit-cost analysis is used in the Department's Alternatives Analysis process to compare alternative approaches (including rail transit, bus transit and low-capital highway improvements) to solve local transportation problems. Benefit-cost anlaysis has also been used during review of the Northeast Corridor Improvement Program. In this case the costs and benefits of different levels of rail passenger improvements were compared to costs and benefits that would result from greater reliance on highway and aviation service in the corridor.

PUBLIC COSTS/PRIVATE SECTOR BENEFITS

Senator Andrews: Our nation's transportation services are largely in the private sector. To what extent are we incurring public costs to provide largely private benefits? What specific standards or criteria do you use in measuring public benefits against public costs?

Response: The Department will follow a general rule that the users of a transportation service should pay the costs of its capital and operating requirements. There are a limited number of exceptions to this guideline, as when there are significant benefits to the public and it is not feasible to recoup costs through user charges. An example of this is the transit program. For the most part, however, the Department intends to increase and improve user-charge financing. For example, the Department's aviation legislation would cause general aviation to pay a larger share of the costs of the services it utilizes; Coast Guard legislation would result in boaters bearing their share of Coast Guard operating costs; and the ongoing highway cost-allocation study is expected to determine appropriate tax rates for different classes of highway users. In cases where user charges are not feasible or sufficient and where there are public benefits, the major criteria used to guide federal involvement is that public benefits exceed federal costs. In cases where it difficult to set a monetary value on benefits (e.g., safety), the most cost-effective approach is followed. The overall effect of this philosophy is that the public will not be paying for private benefits.

OFFICE OF THE INSPECTOR GENERAL

Senator Andrews: Mr. Secretary, what is your assessment of the effectiveness of the Office of the Inspector General, and what actions have you taken to enhance the savings which might be potentially derived from this function?

Response: We believe the OIG, which was only established in 1979, has been very effective in seeking expeditious resolution of all audit fundings. This policy has been emphasized through issuance of specific procedures and guidance for following up on open audit findings. In October 1979, the OIG began a system to accumulate statistical data for the semi-annual reports to the Congress to provide a listing of audit reports issued, track audit recommendations, and prepare statistical reports for OIG management use. Their system for tracking audit recommendations has been operational for some time and has allowed them to furnish data to Departmental management on unresolved audit reports to assist the Department's policy officials in resolving audit findings. Information will be included in the OIG's semi-annual report to Congress for the period 10/1/80 to 3/31/81.

To ensure that improvements are made in the follow-up area, the Secretary has directed the establishment of a Cost Reduction and Efficiency in Department Programs Committee. This Committee is comprised of top DOT officials, including representatives from the immediate Office of the Secretary. As one of its priorities, the Committee will focus on follow-up to GAO and OIG reports. This will include establishing a system for periodic reporting to the Committee from the Department's organizations to ascertain the status of actions being taken on OIG and GAO recommendations.

POLLUTION CONTROL

Senator Andrews: What do you see as the most likely role for the Coast Guard in the continuing pollution control effort?

Response: The most likely role for the U.S. Coast Guard in pollution control effort is to secure enforcement of federal regulations. The choices available that attain the desired enforcement level include:

- Issuance of guidelines to the States and municipalities that have or plan to have an enforcement capability. The purpose of federally-issued guidelines is to secure a relative uniformity in the local enforcement efforts.
- Provide training guidance for local training programs for enforcement personnel.
- Effecting enforcement through a federal U.S. Coast Guard presence.
- Monitoring the effectiveness of others who are engaged in enforcement roles.
- Providing feedback to federal agencies who are drafting regulations to assist in obtaining effective enforcement.

Value Engineering

Senator Andrews: The Federal Highway Administration has established a voluntary Value Engineering program. Tell us about this conceptual approach and the dollar savings that have been achieved as a result.

Response: Value Engineering is defined as "The systematic application of recognized techniques which identify the function of a product or service, establish a value for that function, and provide the necessary function reliably at the lowest overall cost, while maintaining desired quality." Prior to 1975, there were but few applications of Value Engineering in highway development.

Since the federal-aid highway program is one of grant-in-aid to the states, the success of Value Engineering must be measured by the benefits accruing to the states. At least 18 states now have an assigned staff with the responsibility for Value Engineering. Some of these are already measuring their accomplishments at $2-4 million in savings annually. These states have used the process beneficially to modify standards, provide more cost-effective specifications, save energy, reduce manpower requirements, and downscope projects to bring them under budget. In short, we have found it to be one of the best techniques for the conservation of all resources, human and natural, as well as financial.

Senator Andrews: What consideration are you giving to applying value engineering to other DOT agencies? Should the use of VE be made mandatory? Based on the experience with FHWA, what might be the total savings to DOT if VE were used across-the-board?

Response: Because of the positive response by the states to the value engineering techniques used by FHWA, other DOT agencies have been training personnel in the method. We anticipate continuing to advocate more widespread use of VE, but at this time, we are not considering placing any mandatory federal requirements on the states.

Estimating the cost saving incurred by using VE in all transportation modes would require data that are not yet available. However, from our experience in FHWA, we expect that potential savings in the 5%-10% range might easily be achievable in the near term.

R&D POLICY

Senator Andrews: What is being done at DOT to coordinate the research efforts of your various modal operations, for example, who is responsible for guaranteeing that a duplication of effort does not occur in flammable materials? Who is responsible for making sure that the research that is conducted is incorporated for use in the Department's program and evaluations?

Response: Former Secretary Goldschmidt requested that a task force of management and R&D professionals examine how DOT's R&D activities compare with those of the Departments of Commerce, Defense, Energy, Interior, and the National Aeronautics and Space Administration.

As a result of this examination, it was determined that a clear articulation of Departmental R&D policy was needed. The review indicated that DOT's mission dependency on R&D had decreased over the past 10 years. There was evidence that DOT had not fully determined its R&D role relative to that of the transportation industry and that it not have an R&D policy which would enable the operating administrations to develop their R&D programs in the context of DOT's broad R&D mission needs.

A final draft of the proposed DOT R&D Policy Statement was transmitted to Secretary Lewis by outgoing Secretary Goldschmidt in January 1981. The proposed policy statement sets forth 16 policy principles to guide the Department's R&D program. Public comment on the statement was requested through publication in the Federal Register. In addition, the Committee on Transportation of the National Academy of Engineering was convened to review the document. The proposed R&D policy statement is now under review and we intend to speak to this issue in the near future.

LABOR MANAGEMENT NEGOTIATIONS

Senator Andrews: The Federal Government has partially short-circuited the negotiation process between labor and management in at least the areas of mass transit and rail operations. Section 13(c) of the Surface Transportation Act, Title V of the 3R Act and Section 405 of the Staggers Act restrict in some manner the parameters in which these negotiations can take place. What do you see as the proper role in this regard?

Response: Section 13(c) of the Urban Mass Transportation Act of 1964, as amended, provides for the continuation of collective bargaining relationships in the transition from private to public ownership, and assures that no employee will be adversely affected as the result of the expenditure of Federal funds in operating assistance or in capital grants to mass transit systems. Title V of the 3R Act, as amended by Title V of the Staggers Act, provides for continuity of collective bargaining relationships in the launching of Conrail in 1976, and provides a Federally funded guarantee of income stability to Conrail employees who had been employed by one of the six bankrupts (which were combined to form Conrail) prior to January 1, 1974.

Section 405 of the Staggers Act provides a $200 million authorization to establish a voluntary annuity program to reduce the size of the Conrail workforce.

The basic purpose of Section 13(c) of the Mass Transit Act (to assure that transit employees are not adversely affected as the result of Federal programs) is a legitimate concern of the Federal Government. Questions have been raised in the administration of Section 13(c) as to its spillover effect on labor-management relations and on whether Section 13(c) inhibits innovation in the provision of transit services. The Department is actively reviewing these issues to determine both the pervasiveness of such problems in the transit industry as well as the most effective resolution consonant with a balanced perspective on the collective bargaining process.

The responsibility of the Federal Government to Conrail employees protected under Title V is being assessed in the context of decisions now being formulated on the Government's role vis-a-vis Conrail. The Administration has submitted recommendations to the Congress on this issue, and legislation to implement these recommendations is now under development.

MORATORIUM ON FEDERAL REGULATIONS FOR THE AUTOMOBILE INDUSTRY

Senator Andrews: Mr. Secretary, at a recent convention of the National Association of Automobile Dealers, you are reported to have stated your support, in principle, for a four-year moratorium on new Federal regulations for the automobile industry. What is your position in this regard and what would be the specific impact of a four-year moratorium on the National Highway Traffic Safety Administration?

Response: At a National Association of Automobile Dealers (NADA) convention in February, my response to a question suggested that I favor a four-year moratorium on Federal regulations for the auto industry. My statement was intended to reflect the Reagan Administration's general opposition to over-regulation, rather than a proposal of any specific policy. As reported in the Washington Star of Wednesday, February 11, 1981, (Business Page), I said, "If I could do it (impose a moratorium), it would be a four-year moratorium." My comment in an interview following the speech, reflects the tenor of that statement. I said then, "I know four years is unrealistic, but my point is that this administration opposes regulations."

While a four-year moratorium would certainly have served the purpose of signaling this administration's intent that regulations not be unduly burdensome, that same purpose has been served by the President's more precisely tailored program for the U.S. automobile industry. For the past three months, two Presidential task forces, the Task Force on Regulatory Relief under Vice President Bush, and the Automobile Industry Task Force under my own guidance, have been working to achieve the President's goal of reducing the regulatory burden on the automobile industry while continuing to protect health, safety, and the environment. On April 6, the President adopted a positive program to address the immediate and long term problems faced by the automobile industry. As part of that program, the Environmental Protection Agency and the National Highway Traffic Safety Administration issued notices of intent to rescind, revise, or repropose 34 specific regulations. Their actions could save the automobile industry more than $1.3 billion in capital expenditures and consumers more than $8.0 billion over the next five years. That well-thought-out program obviates a four-year moratorium on regulations affecting the automobile industry.

GAO REPORT ON HAZARDOUS MATERIALS TRANSPORTATION

Senator Andrews. The GAO completed an assessment of DOT's administration of a hazardous materials safety program and recommended several areas for improvement including gathering better data on the industry, establishment of a systematic method of inspection, and improved coordination of emergency response efforts. What are your plans to improve the conditions under which hazardous materials are transported?

Response. The Department agreed with many of GAO's criticisms of the hazardous materials transportation safety program. We would submit, however, that their approach was unbalanced because it ignored Federal efforts either planned or underway which are designed to mitigate many of the problems outlined in the report. Moreover, several of GAO's program recommendations would be expensive to implement, for both the Federal government and the hazardous materials industry, and would impose a significant paperwork and recordkeeping burden on the industry.

Following is a discussion of specific GAO criticisms:

Better Data on the Industry

GAO made several recommendations for improving industry data — institution of a registration program for all hazardous materials shippers, carriers, and container manufacturers; improvement of the hazardous materials incident reporting system; development of risk profiles of hazardous materials carriers and shippers. While we agree with GAO's general criticism concerning the insufficiency of data, we are reluctant to endorse their methods for solving the problem. The potential benefits of a universal registration system would be far outweighed by its costs -- to the industry in terms of added paperwork burden and to the government for equipment and personnel to collect, process, evaluate, and ensure the completeness and accuracy of the data. Given the sheer volume of the data and the multiplicity of variables to be quantified, we do not believe that existing risk analysis methodology provides an adequate basis for development of meaningful risk profiles of hazardous materials shippers and carriers.

This is certainly not to say that the Department is not striving to develop more and better data on the industry it regulates. We are in the process of developing and implementing a centralized, integrated hazardous materials information system which will include data on commodity flow, accidents and incidents, enforcement actions, inspection activity, exemptions to the regulations, interpretation of the regulations, risk analyses, and the like. Current plans call for complete system implementation by 1984, although various subsystems will be implemented in the interim.

Establishment of Systematic Methods of Inspection

GAO recommended several measures designed to improve the inspection and enforcement process, including increased state participation, institution of systematic risk evaluation procedures, and development of enforcement guidelines. The Department substantially agrees with GAO's recommendations and is taking steps to implement them.

We are already involved in expanding state involvement in the enforcement process by working to bring the states into partnership with the Federal program through their own inspection and enforcement activity. By fostering the adoption of Federal standards by the states, the hazardous materials program benefits from increased enforcement by state personnel, and allows states to target enforcement efforts toward significant safety problems within their borders. In addition, MTB and the Nuclear Regulatory Commission have jointly funded a program of assistance to selected states involved in inspection and enforcement efforts over radioactive materials transportation. For the future, we plan to expand this program to include state inspection and enforcement of regulations governing all hazardous materials transportation.

The Department is also in the process of developing systematic risk evaluation procedures to ensure that the program addresses problem areas presenting the greatest risk to public safety with the overall goal of a balanced inspection program for shippers, carriers, and container manufacturers, and is also in the process of developing uniform enforcement guidelines applicable to the entire Department.

Improved Coordination of Emergency Response Efforts

GAO identified several weaknesses in the emergency response program, particularly concerning coordination among different government entities and in training of personnel. Here again, the Department agrees that GAO's criticisms are valid and is taking steps to alleviate the problem. In addition to the immediate assistance already provided by the National Response Center, the Department has recently updated and reissued its Emergency Response Guidebook, which provides information to aid in identification and spill containment of over 3,000 hazardous materials. The Guidebook is distributed without charge to fire departments and other entities involved in responding to hazardous materials transportation accidents.

The Department is in the process of developing a plan for increasing state and local government planning for effective emergency response programs. We are conducting a survey of selected states and localities to determine the volume of hazardous materials transported through the jurisdiction, and the kind of emergency response program currently in effect. This information will be analyzed to identify the problems states and local communities encounter in planning and implementing effective emergency response programs and to develop recommendations for action states and localities can take to coordinate more completely emergency response programs among state, local, and federal governments, and the industry.

The Department is also in the process of assisting states and local jurisdictions with funding for implementation of emergency response programs. We are funding three to five local demonstration projects to help increase state and local investment in emergency response activities and to evaluate new strategies, concepts, and methodologies, and special crews and equipment. These model programs will be evaluated and determinations made as to their applicability to similar jurisdictions in other areas of the country.

ENERGY CONSERVATION

Senator Andrews: Concern for energy conservation provides partial justification for some of the programs continued and initiated under the Carter Administration. What do you see as the Department's proper role in regard to reducing our dependence on foreign oil?

Response: We are no less concerned than the previous Administration with the serious energy problem facing our Nation. However, petroleum price decontrol and a greater reliance on market forces will require less direct involvement on the part of the Federal Government, in coping with and alleviating our excessive dependence on foreign imports. We recognize, however, that the market alone may not be adequate under all circumstances. For example, issues such as the adequacy of existing transport capability for petroleum alternatives such as coal, and the need for contingency planning in case of an energy supply emergency, are of particular concern. Thus, we will place greater emphasis on the market but will continuously monitor market results and their impacts on various modal sectors in order to identify and implement any supplementary actions necessary.

JAPANESE AUTO IMPORTS

Senator Andrews: Market forces and improved auto technology appear to be the sources for reduction of fuel consumption on which the Reagan Administration chooses to rely. As a result, NHTSA has testified that post-1985 fuel economy standards are not likely to be issued. The major suppliers of the fuel efficient vehicles responsible for the savings and for providing the competition which forced domestic auto makers into a more immediate response, were the Japanese. Now the Reagan Administration is seeking voluntary import restrictions on Japanese imports. To what degree would such restrictions, if adhered to, conflict with reliance on the market and impinge on progress made in reducing our dependence on foreign oil?

Response: It is our belief that market forces now create a sufficient incentive for the domestic auto industry to move toward constantly improving fuel economy. The industry has made and will continue to make huge investments in retooling for these new, more efficient cars and will by 1985 have the capacity to supply the U.S. market with vehicles designed for American needs with fuel economy, quality and technology equal or superior to the Japanese. Any restraint on the part of the Japanese is seen as a temporary measure to aid the U.S. manufacturers in the next 2 or 3 years when they are most vulnerable. Such restraint would not materially impede progress in reducing our dependence on foreign oil.

MANAGEMENT OF AMTRAK

Senator Andrews: You are proposing legislation which would issue Amtrak preferred stock to the Secretary of Transportation and impose several management criteria to be used by Amtrak in its operations. While there is merit in protecting the public's investment, on what basis do you believe that the Federal Government should substitute its judgment over that of Amtrak's management? In an era of deregulation, how much should DOT promote control over cost allocations, route selection, and so forth?

Response: The Department is not seeking to manage Amtrak, but it does want to influence Amtrak's corporate policies through its Board of Directors. The Administration has proposed legislation for Amtrak that would provide greater security for the Federal investment in Amtrak and strengthen DOT's role on Amtrak's Board. The legislation would also require Amtrak to submit its annual requests for appropriations through the Secretary in an effort to keep spending under control. The only criteria included in the legislation is that revenues and state and local contributions must cover 50% of costs systemwide in 1982. Specific action to meet this criteria would be Amtrak's responsibility.

LOCAL GOVERNMENT'S PROBLEMS

Senator Andrews: How do you intend to address the difficulties local governments may have with cessation of service or other problems which may arise in the transfer of Conrail lines to other private railroads? Since you have terminated your rail service assistance program, what mechanism do you propose to use? What is the estimated cost to the Federal Government of providing this transition assistance?

Response: We do not anticipate any problems for local governments associated with those Conrail lines that will be transferred to private-sector railroads since most of these lines are in good condition and rail service will be provided by the acquiring railroad. In those rare cases in which it might be necessary, the Section 505 and 511 programs would be available to the purchasers as they were for rehabilitation of the Rock Island Tucumcari line by the St. Louis Southwestern.

With regard to cessation of service on lines that are not transferred, prior to the formation of Conrail such lines presented a problem because most states in the Northeast were not equipped to cope with changes in local rail transportation. However, the 3R Act initiated an extensive state rail planning effort and provided "seed" funding that pulled state, local government and private interests together to solve local rail problems.

As a result of this experience, states have become quite capable and innovative in addressing local rail issues. Through the rail planning process, states have been able to identify lines that can be abandoned and to develop solutions, such as connection of short sections to intersecting railroads, team tracks, distribution facilities, piggy-back arrangements and the use of short line operators to address abandonment problems. This planning and program expertise is in place and available to address any problems associated with potential cessation of service. In addition, under the Staggers Act at least 5 percent of the funds available under Section 505 of the 4R Act could be used for acquisition and rehabilitation of Conrail lines under the Feeder Line program and the loan guarantee program under Section 511 is available for acquisition and rehabilitation of such lines.

We believe most Conrail lines will be acquired and that the need for Federal financial assistance will therefore not be substantial. Until we know the precise lines that are not acquired and the potential for alternate transportation for shippers on them, we cannot provide a more precise estimate of the cost involved.

CONRAIL

Senator Andrews: In constructing your plan for a controlled transfer, what actions are you taking to assure that whole sections of lines continue to be served and that "cherry picking" is not allowed?

Response: The purpose of our proposal to integrate Conrail's lines and services into the private sector railroad industry is to maximize the lines that would be retained and improve service to the shippers on them. We specifically want to avoid the situation which would occur if Conrail were to continue to limp along for several more years while both its physical condition and traffic base deteriorated. We see that situation leading to a fire sale in which the best traffic is "cherry picked" while the less profitable lines are passed over. The primary action necessary to avoid a "fire sale" is to move on the Conrail problem now, before Conrail service and plant deteriorates. We are also continuing our analysis of which Conrail lines and services are most attractive to which private sector railroads, and we are working with Conrail to refine the process it outlined in Chapter 11 of its April 1 report to Congress by which it packaged its lines in a way in which most of the system will be sold.

Senator Andrews: Is it your opinion those railroads which have recently undergone mergers are going to be able to financially and managerially acquire Conrail lines? Please provide details as to the assurance you have on this issue.

Response: There is no doubt that the railroad industry, including railroads that have recently merged or have merger proposals pending, can absorb Conrail's lines and services. We have to recognize that there is not likely to be any absolutely perfect time to accomplish the transfer, and that if we sit and wait for the perfect moment there may be little left of Conrail that can be transferred. Over the past decade the railroads adopted the practice of accomplishing mergers on a gradual step-by-step basis. Private sector railroad managements are likely to handle Conrail's lines and services in this way, setting up separate entities such as subsidiary corporations and then absorbing them into their systems through a gradual, orderly process.

LABOR PROTECTION

Senator Andrews: When do you recommend that Title V be repealed? Outline existing Title V provisions and provide an estimate of the costs associated with each provision as it is currently worded. In addition to repeal of Title V, what other labor protection changes are you proposing and what are the estimated costs of each proposed change? Include separation payments in your answer.

Response: It is being recommended that the existing Title V program be repealed effective October 1, 1981. All benefits accrued up to this date will be paid from Title V authorized funds.

The most costly provision of the existing Title V program is the monthly displacement allowance. All employees who have a seniority date prior to January 1, 1974, have a wage guarantee which is escalated by all subsequent wage increases. Employees hired prior to January 4, 1969, have their earnings guaranteed until age 65. There are 44,000 employees who have life-time wage guarantees.

In addition to guaranteeing wages the Title V fund pays the cost of fringe benefits when these protected employees are furloughed. In February,1981, there were over 1,700 furloughed protected employees on Conrail receiving Title V benefits which average $2,400 per month or $28,800 on an annual basis including the cost of fringe benefits. The monthly cost for the 1,700 furloughed Conrail employees, plus the working employees who earn less than their guarantee is $5 million. Title V also applies to Penn Truck Line employees and certain employees of Amtrak, Delaware and Hudson, and other Northeastern carriers who purchased lines of the former bankrupt carriers. The monthly cost of these non-Conrail Title V benefits is $750,000.

Other provisions of Title V limit the ability of Conrail to transfer surplus employees into job vacancies which require a change in residence. Offers of transfer can only be made to a bona fide vacancy, to the most junior furloughed employee who has 30 days to make a decision.

There are also provisions which require a purchasing carrier of Conrail properties to assume Title V labor protection responsibilities for the employees associated with the property.

The labor protection which will be proposed for Conrail employees adversely affected by the transfer of service to profitable carriers will be based on the labor protection concepts embodied in the Milwaukee Road Restructuring Act. Separation allowances will be based on the years of service. Moving expenses to continue railroad employment will be reimbursed up to a maximum. New career training assistance and continuation of medical insurance coverage will also be provided. The total cost will be approximately $400 million of which $350 million will be for separation allowances.

QUESTION SUBMITTED BY SENATOR WEICKER

NEW HAVEN TRANSPORTATION CENTER

Senator Weicker: At this time, what is the Administration's position on the funding of the New Haven Union Station Transportation Center. Can you provide assurances that funding will be forthcoming for the station?

Response: The Federal Railroad Administration and the Department of Transportation support the efforts to renovate the station at New Haven, Connecticut. FRA has budgeted $10 million for 100 percent of construction cost of operationally essential improvements and $5.6 million for 50 percent of the construction cost of a parking garage and other nonoperationally essential improvements.

QUESTIONS SUBMITTED BY SENATOR ABDNOR

SOUTH DAKOTA BILLBOARDS

Senator Abdnor: The federal government under the last Administration forced South Dakota to sign an agreement that will cost the State $300,000 to remove additional billboards. Unlike other states, our concern is not to get federal matching dollars for such removal; we would like to be allowed to leave the billboards alone rather than put this added burden on our taxpayers. Can you provide relief from the agreement we were forced to sign? If not, will you support grandfathering this agreement to the law? Thus giving South Dakota the opportunity to option out of the federal program and avoid the $300,000 obligation?

Response: In 1977, South Dakota faced a proceeding for noncompliance with the Highway Beautification Act. In November of 1978, former Secretary Adams found the State in noncompliance. The statutory penalty of ten percent of South Dakota's federal-aid highway apportionments for one year was withheld and distributed to other states; the Secretary gave the State until March 1979 to come into compliance with the Act or lose funds for additional years. South Dakota enacted complying legislation in March, but with an effective date in July.

Former Secretary Goldschmidt agreed to suspend the penalty, for a savings to South Dakota of about $4.2 million, on the condition that the State assume responsibility for signs erected between March and July on locations prohibited by the new state statute. With the enactment of the legislation in March, such signs could have been erected only for the purposes of compensation, or in the hope that the State would permit them to stand if compensation funds were not available.

Without Secretary Goldschmidt's suspension of the penalty in return for acceptance of the condition, South Dakota would have lost over $4 million. The State of course has the option of bringing this matter to the Department's attention, which it so far has not done. We would certainly give its request full consideration.

Whether it would be appropriate to relieve South Dakota of the condition in the context of new federal legislation would depend on the purposes and terms of that legislation.

ONE-HALF OF ONE PERCENT MINIMUM GUARANTEE

Senator Abdnor: Could you provide me with the justification for the Administration's recommendation that the ½ of 1% minimum guarantee for interstate construction not be included in the new highway bill? Please recognize that many of us see that guarantee as a commitment to states that channeled their limited resources into early completion of the interstate system and ignored primary system repairs.

Response: The main reason the Administration's proposed legislation makes this change is that our highest priority is the completion of the Interstate System by 1990. We are targeting federal resources to achieve this goal with maximum cost effectiveness. Greater concentration can be placed on completing gaps and other construction work by eliminating the minimum rule. The inclusion of this minimum rule would divert about $1.0 billion away from Interstate completion. Expanded I-4R funds will be available under our bill for use on the System, and we have proposed a ½% minimum apportionment of I-4R funds for all States with Interstate mileage.

Although it is true that in absolute terms some states will experience decreases in funds, this will in part be mitigated by their priority status under the new eligibility criteria for $125 million in discretionary funds which are set aside.

QUESTIONS SUBMITTED BY SENATOR HEINZ

PURCHASE INCENTIVES

Senator Heinz: You indicated during the hearings that you thought that private railroads such as the CSX system and the Norfolk and Western could afford to buy the Conrail system, despite their current concern with merger costs. You indicated that the Federal government might have to make some accommodations in order to consummate the purchases. What specific accommodations do you think would be necessary? How much would such accommodations cost?

Response: We estimate the cost of separating the impediments to sale - commuter services, labor protection costs and terminal operation - will be $450 million. In addition, we will be flexible on terms and conditions of the sales in order to encourage the purchase of most of the properties.

We cannot expect the Government to recover all of its $6 billion investment in Conrail. We do want the Government, however, to be released of the requirement to cover Conrail's operating losses.

If Conrail were continued, not only would the Federal Government not recoup any of its $6 billion investment, it would be required to support another $2 to $4 billion in public funding over the next 5 years.

CONSTRUCTION OF PACKAGES

Senator Heinz: You also indicated that DOT visualized selling Conrail in three separate packages. How would these packages be constructed, and what leads do you think that there would be buyers for these packages?

Response: Packaging of Conrail properties is the appropriate way to proceed because it will encourage transfer of most of Conrail's lines and many of its employees. Whether there are two packages, as designed by Conrail in Chapter 11 of its report to Congress, or a subset of those packages into three or more will be determined by the initial response we receive from interested carriers. We expect the packages to be attractive to other carriers for several reasons. Prospective purchasers have significant revenues at stake in a Conrail transfer. Table I-1 on page I-5 of our March 31 report indicates by carrier the magnitude of revenues associated with Conrail's interchange traffic. These carriers will want to protect themselves against the loss of revenue, and purchase of Conrail properties may be the only way to accomplish that. In addition, Conrail indicated annual net benefits of $170 to $280 million to various acquiring carriers which makes the transaction a good business venture.

QUESTIONS SUBMITTED BY SENATOR BYRD

Senator Byrd: Last Friday, Mr. Secretary, Mr. John P. Killoran of the West Virginia Maintenance Authority testified before this Subcommittee regarding the South Branch Line. Chairman Andrews already knows of my concerns and he has some concerns of his own relating to his State of North Dakota. Continuation of the South Branch Line is of vital concern because there are over 2,000 West Virginians who will lose their jobs if the rehabilitation project -- which is already into its second year -- is not continued. Would you please look over the testimony of Mr. Killoran and comment for the record, Mr. Secretary?

The House Budget Committee is considering a $300 million funding level for Conrail. Would you please tell us for the record how the South Branch Line would fare under a $300 million funding level as suggested in the House?

Response: Over the past three years, West Virginia has received more than $4 million in Federal funds for rehabilitation and operating subsidy on the South Branch Line. Approximately, $1.9 million has been provided for rehabilitation and $2.1 million for operating subsidies under the Local Rail Service Assistance Program administered by FRA. As indicated in Mr. Killoran's testimony the State of West Virginia has contributed substantially to the preservation of the South Branch Line. West Virginia has provided $1.2 million in cash and $1.2 million in in-kind contribution for operation and rehabilitation of the line. The State estimates an additional $3.8 million is needed to complete the required track rehabilitation. Also reflected in Mr. Killoran's testimony is the fact that if Federal funds are not available and the track rehabilitation is not completed West Virginia will be unable to continue operation on the line as a result of its physical condition. The State has consistently stated the failure to complete rehabilitation of the South Branch line will result in the discontinuance of service. West Virginia has also consistently maintained that discontinuance of service on the South Branch line will result in the lost of 2,000 jobs, including 36 State positions, within a two-year period.

President Reagan's economic recovery program is dependent, in part, on fiscal restraint by the Federal government. When the DOT programs were reviewed by the new administration, the LRSA was one of the programs cited for elimination. The reasoning behind this decision being that lines assisted serve mainly local interest and the program allocated funds to states with no local rail problems.

The LRSA was originally established in 1973 to alleviate the abrupt impact of substantial branch line abandonments associated with the start-up of Conrail. This assistance has been available for more than five years and has served its purpose.

Of particular interest to West Virginia is the disposition of the $7.4 million in LRSA funds carried over from FY-80. FRA will establish objective criteria to fairly distribute the funds, maximize the long term effect of their utilization and meet our legal obligations.

The $300 million funding level suggested by the House is exclusively for use by Conrail in covering its operating deficit through FY-82. The South Branch line could not participate in this financial assistance.

BECKLEY AND PARKERSBURG AIRPORTS

Senator Byrd: The Beckley Airport needs a tower and the Parkersburg Airport needs radar. Would you please provide for the record a report on those two facilities and their needs and your expectation of when those improvements will be addressed?

Response: We have reviewed the situation at Beckley and Parkersburg, West Virginia, and have determined that an airport traffic control tower and airport surveillance radar, respectively, are unnecessary, for safe and efficient aircraft operations, based on the present volume and mix of traffic.

The Federal Aviation Administration has developed qualifying criteria designed to determine the eligibility of terminal locations for the establishment, modification or discontinuance of terminal air navigation facilities and air traffic control services. These items include approach radars and towers.

Criteria are developed based upon life cycle payoffs and costs for each type of facility. Safety, capacity and productivity gains occurring as a result of the facility are compared with capacity and operations and maintenance costs over a representative facility life cycle, typically 15 years. Facilities are considered eligible for establishment when life cycle payoffs equal or exceed life cycle costs.

When the establishment criteria is applied to Beckley and Parkersburg, the activity is well below the levels necessary to qualify for a tower and radar. Specific information on each location follows:

ATCT Beckley, W.V.	Does not meet the minimum B/C of 1
- 1980 Operations	
o Air Carrier	2,524
o Air Taxi	1,262
o General Aviation/Military	44,664
- Establishment Cost	$1.85 million
- Benefit/Cost	.53

ASR Parkersburg, W.V.	Does not meet the minimum B/C of 1
- 1980 Operations	
o Itinerant	44,110
o Air Carrier	2,640
o Instrument	25,396
- Establishment Cost	$8.9 million
- Benefit Cost Ratio	.17

We will continue to monitor activity at Beckley and Parkersburg and should they qualify in the future, funding necessary to establish the tower and radar will be contained in a subsequent budget submission.

DEBT COLLECTION

Senator Byrd: Mr. Secretary, a recent report from the Office of Management and Budget (OMB) indicates that the Department of Transportation, as of the close of fiscal year 1979 (the latest year for which figures are available) had $79.2 million in "Accounts Receivable" or money owed to the Department by individuals and organizations.

Of the $79.2 million in accounts receivable, $61 million or 77 percent was delinquent. Of the $61 million delinquent, $51.3 million was over 90 days delinquent. What are you doing in this area?

Response: Before responding to your question, I would like to clarify a point, if I may. The Department of Transportation's financial records showed an Accounts Receivable balance of $48.7 million due from the public as of September 30, 1979. Over half of this amount, more than $28 million, represented claims established by the U. S. Coast Guard (USCG) against oil pollution violators for cleanup costs incurred by USCG in connection with oil pollution incidents. Due to the nature of these claims, litigation is almost always involved. Therefore, our records will continue to reflect the bulk of these receivables as delinquent until litigation has been completed. The remaining $20 million consists primarily of amounts due the Federal Aviation Administration (FAA) from commercial carriers, concessionnaires, and foreign governments, and amounts due the Alaska Railroad (ARR) for shipping and transportation charges.

While the Department has not seen the OMB report referred to in your question, the $30.5 million difference in the Department's recorded Accounts Receivable balance of $48.7 million and the $79.2 million OMB figure would appear to be due to the inclusion of $23.5 million of accrued interest due the Federal Financing Bank on loans that are guaranteed by the Federal Railroad Administration (FRA) and the Urban Mass Transportation Administration. The remaining $7 million has to do with the deferred interest owed the FRA for loans to the railroads under the Emergency Rail Facilities Restoration Act of 1972. The proceeds of the 20 year notes were used to restore and replace facilities damaged by Hurricane Agnes. Because of the financial situation of the railroads involved, the FRA Administrator, in accordance with his discretionary authority, has periodically deferred both the principal and interest payments owed.

I believe that somewhat lengthly background will serve to clarify my answer to your specific question as to what we are doing in this area. First, let me say that while there is always room for improvement, the Department has adopted a more aggressive posture in collecting its outstanding receivables, and its actions to date have been met with some measures of success. Referring back to the Department's recorded $48.7 million Accounts Receivable figure, the Department is anxiously awaiting the disposition of the $28 million oil pollution litigation in order to begin collection procedures for the amounts awarded. Both the FAA and the Alaska Railroad, the two organizational entities responsible for collecting the major portion of the $20 million balance of the Fiscal Year 1979 Accounts Receivables, have shown considerable improvement in collecting their outstanding receivables.

This is, no doubt, attributable to the Department's increased emphasis on improving its debt collection position. In this regard, the Office of the Assistant Secretary for Administration recently issued a new departmental directive on the financial management of receivables which emphasizes the need for prompt and vigorous follow-up actions on overdue debts. Monthly aged Accounts Receivable reports are now required, as well as their distribution to both the accounting offices and program managers. Project efforts are also underway in some of our Administrations to identify causes of delinquencies and to explore additional methods of improving debt collection.

As to the $23.5 million of accrued interest owed the Federal Financing Bank on loans guaranteed by the Department, preliminary information indicates that these amounts were neither in a delinquent status as of September 30, 1979, nor has the Department been contacted by the Bank for purposes of satisfying any delinquent amounts owed.

Senator Byrd: Are you charging interest on these overdue accounts?

Response: Yes. In both the Department's Cash Management Directive and in our Financial Management of Receivables Directive, we have emphasized the requirement to charge and collect interest on late payments involving the sale of goods or services to organizations outside the U. S. Government. There are exceptions to this rule, however. FAA has been granted waivers by the Treasury to exclude the interest penalty requirement in their reimbursable agreements with the countries of China, Italy and Mexico. In these specific cases, it was deemed to be in the best interest of the United States to yield to the objections of the countries involved. Other instances of not charging interest on past due accounts include the ARR which observes railroad industry practices, prescribed by the Association of American Railroads, in not assessing late payment interest charges on amounts due by its various connecting carriers. Conversely, the ARR has gone beyond the Treasury prescribed finance charges in assessing a 19% annual interest rate on a recent delinquent account totaling $750,000.

Senator Byrd: What kind of improvement can we expect to see by next year?

Response: As I mentioned earlier, both the FAA and ARR, the two departmental entities that jointly are responsible for collecting the bulk of the Department's outstanding accounts receivables, have realized significant improvements in their receivable positions. FAA's Accounts Receivable records as of September 30, 1979, showed 42% of their receivables were over 30 days delinquent. Whereas, as of March 31, 1981, less than 35% of the FAA accounts receivables were over 30 days delinquent. ARR experienced a similar improvement. September 30, 1979 records showed 59% of their receivables to be over 30 days delinquent. Whereas, March 31, 1981 records show 41% of their receivables as over 30 days old. While there is still move for improvement, the direction is encouraging.

We are hopeful that our in house efforts, as well as currently proposed legislation which, among other things, will permit the offset of debts against refunds due, will result in an even greater reduction in the delinquent overdue receivables.

DEPARTMENT OF TRANSPORTATION
AUDIT PROGRAM

Senator Byrd: On October, 1978, the General Accounting Office (GAO) reported that Federal Agencies spend hundreds of millions of dollars on their own audit teams. The problem is that when the auditors report their findings to those in charge at the Department, nothing ever gets done, the audit reports are ignored, and the fraud, abuse, waste and error just goes on and on and on.

In 1978, the GAO made a survey of 34 Federal Agencies and found that 16,305 audit reports questioning $4.3 billion in costs were unresolved. The audit reports were gathering dust, the responsible agency officials were not paying attention to the audit reports, and the fraud, abuse, waste and error simply continued.

At the Department of Transportation the GAO auditors in 1978 found over 500 unresolved audits questioning $75 million in costs.

Let me give you a couple of examples of what we are talking about.

At one agency (HEW), the auditors pointed out a $2.1 million overpayment to a grantee. Nineteen months later, the agency wrote a letter asking for the money back. But because of their slowness in asking for the return of the overpayment, they were able to collect only $598,000, because the statute of limitations precluded the recovery of the remaining $1.5 million.

At another agency (HUD), the official who had failed to follow up on an audit report indicated that his staff was too busy approving new projects and would not have time for at least another year to collect $270,000 which the auditors had determined was overpaid to grantees.

Following the 1978 GAO report, and with considerable encouragement from this committee, the Office of Management and Budget revised its policy guidelines and emphasized prompt and proper resolution of audit findings. Most agencies are not yet in compliance. In a report issued in January of 1981, the GAO found this example:

A 1978 audit of an Urban Mass Transportation Administration grantee questioned the allowability of $2.2 million. These same costs were questioned in a 1972 audit but had never been resolved. In November 1980, 8 years later, the Transportation Administration informed the grantee that most of the costs would be allowed. No decision had been made on the allowability of $661,000.

Overall, the $4.3 billion in unresolved audit findings in 1978 have grown to $14.3 billion in 1981. The Department of Transportation now has 239 unresolved reports questioning $294 million. What is the Department of Transportation doing about its backlog of unresolved audits?

Response: As a result of a six-month report by the operating administrations to the OIG, the Department is able to routinely identify those audits which have been unresolved.

The case in which $2.2 million of costs were questioned in the 1978 audit of an Urban Mass Transportation Administration (UMTA) grant has been substantially resolved. The OIG recommended that UMTA review the questioned costs to determine whether they were allowable. As a result of its review, UMTA allowed costs of $1,503,179 and disallowed $328,799. An amount of $332,386 is still open, pending submission of additional information by the grantee, City of Chicago, to UMTA.

Senator Byrd: What kind of improvement can we expect to see by next year?

Response: To ensure that unresolved audits are addressed adequately by the Department's program managers, the Secretary recently established a Cost Production and Efficiency in Departmental Programs Committee, consisting of representatives from his immediate office and top DOT officials. The Committee is responsible for establishing a system for periodic reporting to the Committees from the Department's organizations to ascertain the status of actions being taken on unresolved audit findings and OIG and GAO recommendations.

TRAVEL BUDGET

Senator Byrd: A draft report from the Office of Management and Budget (OMB) indicates that Department of Transportation employees made 352,200 trips in Fiscal Year 1979, the latest year for which these statistics are available. Another budget document published by OMB indicates your Department spent $105 million on travel in Fiscal Year 1979.

This means the Department of Transportation employees took 352,200 taxpayer paid trips at an average cost of $300 a trip for a total cost of $105 million. That is almost 1,000 trips a day, 365 days a year, Saturdays, Sundays, Christmas and New Years Day.

Some of this travel may be justified. But I doubt very much that 352,200 trips at a cost of $105 million is justified.

In Fiscal Year 1979, the Department sponsored travel of 17,916 employees to "information meetings."

Another 46,842 trips were for "training attendance."

Some 3,576 trips were made so that the employee could make a "speech or presentation."

Another 18,816 trips were for "conference attendance."

"Site Visits" accounted for 54,780 trips. An occasional site visit can sometimes be very helpful--but 54 780 site visits in one year?

What is the Department of Transportation doing in this area?

Response: The Secretary and Deputy Secretary jointly sent a memo to the Departmental Officers and Heads of Operating Administrations on February 13, 1981, directing the elimination of administrative travel. Emphasis was placed on eliminating travel to meetings, conferences, and symposia outside the employee's normal commuting area; management and general training travel; and general surveillance, familiarization visits, and staff meeting travel. The memo raised the authorization level to that of the Secretary and Deputy Secretary with some minor exceptions available to key departmental officials reporting directly to the Secretary. The same February 13, 1981 memo limited program operations and mission accomplishment travel to that which is clearly necessary and cannot be achieved effectively in any other way.

Senator Byrd: What kind of improvement can we expect to see by next year?

Response: I would expect that if the Department continues to virtually eliminate all administrative travel that there will be a significant reduction in our travel dollar expenditures. However, the continuation of such a position indefinitely, may ultimately have an adverse impact on both the program management aspects of administration, as well as the individual employees' state-of-the-art skill levels, and we will be reviewing the situation periodically.

QUESTIONS SUBMITTED BY SENATOR CHILES

USE OF 1980 CENSUS DATA

Senator Chiles: Mr. Lewis, after we have spent over $1 billion on the 1980 decennial census, why is the Department proposing not to use its results? Do you propose to continue using the 1970 data even before your legislative package is enacted into law?

Response: Under the Administration's legislative and budget proposals, the Federal mass transit operating assistance program is being phased out by 1985. Retaining the use of the 1970 census count during this period will ensure that the limited funds that are available will be allocated among recipients in the same ratio as they were since the inception of the program in 1974. Urbanized areas that appear for the first time in the 1980 census would only dilute these limited funds.

The Bureau of Census has also informed us that information we would need to apportion the FY 1982 program on the bssis of the 1980 census will not be available in time.

For all other DOT programs which use census data for apportionment purposes, the 1980 data will be used as soon as it is verified and available.

HANDICAPPED ACCESS FOR MASS TRANSIT VEHICLES

Senator Chiles: One area of concern that I continue to hear about from local officials in Florida is the UMTA requirement to provide handicapped access for mass transit vehicles. I understand that the current UMTA requirement is that 50% of each urban area's fleet should have special handicapped access facilities. In UMTA's legislative package that was delivered to the Hill last month, language is proposed to permit local jurisdictions to decide these matters.

In the interim, before this proposed legislation is acted on by the Congress, will UMTA change its regulations that are now in effect on this subject?

Response: The Department of Transportation's regulations implementing section 504 of the Rehabilitation Act of 1973 require all new buses purchased by UMTA grantees to be accessible. Fifty percent of the operator's peak-hour fleet is required to be accessible by July 1989. In addition to supporting passage of its legislative proposal that would give local jurisdictions the option of providing alternative service for handicapped persons in lieu of making bus service accessible, the Department is considering parallel changes in its regulation. In order for the Department to change its regulation, the Department of Justice must change guidelines for the implementation of section 504 (originally promulgated by the Department of Health, Education, and Welfare) that specifically require all new buses to be accessible. We have requested that the Department of Justice make these changes. On the assumption that the Department of Justice can make the necessary changes, we are starting to prepare a notice of proposed rulemaking on this subject.

Mass Transit for Handicapped Persons

Senator Chiles: Recently in hearings before this Committee, Mr. Page, the Director of Metro here in Washington, indicated that they currently have approximately 10% of their fleet equipped with handicapped access buses. Metro Washington has a program whereby if an individual calls in, Metro arranges to have one of these vehicles on any route in the city at any time of day. Mr. Page states that this has satisfied the demand for this type of service relatively well, and that the demand for the service is extremely low. They have fewer than 200 handicapped riders a day. Does the system such as operated by Mr. Page in Washington, D.C., represent a viable alternative to the current UMTA policy of requiring 50% of a city's fleet equipped with handicapped access buses? If not, why not?

Response: The Administration's legislative proposal includes a provision that would allow recipients of Federal assistance to meet Federal requirements for the transportation of handicapped persons using approaches other than making the entire transit system accessible. Existing Federal regulations governing the transportation of handicapped persons preclude other alternatives, creating what many cities view as an unnecessary and costly burden. We look forward to working with the Congress to develop an effective solution to this difficult issue.

DEBARMENT

Senator Chiles: It seems to me that an area that needs Departmentwide coordination is the issue of debarment. We learned recently from the Office of the Inspector General at the Department that several firms debarred from doing business with the Federal Highway Administration are not debarred from doing business with other transportation agencies, let alone from the rest of the entire Federal Government.

If the Administration is truly interested in rooting out fraud and abuse, why isn't a firm debarred from doing business with one agency automatically debarred from doing business with the rest of the Department and the entire Federal Government?

Response: The Federal Highway Administration has adopted regulations on debarment of contractors who engage in rigging of bids, collusion, and other prohibited practices under contracts with local authorities which receive funds for such contracts from the FHWA. Debarment by the FHWA does not preclude a contractor from obtaining contracts under programs funded by other DOT administrations. The Department has under consideration the promulgation of regulations on debarments and the suspension of contractors which would apply to the entire Department of Transportation. We also expect to consult with other Federal agencies in an attempt to attain consistency in this area.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee will now recess, subject to the call of the Chair.

[Whereupon, at 12:07 p.m., Wednesday, April 8, the subcommittee was recessed, to reconvene 10 a.m., Thursday, April 9.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1982

THURSDAY, APRIL 9, 1981

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

DEPARTMENT OF TRANSPORTATION

STATEMENT OF HON. DARRELL TRENT, DEPUTY SECRETARY OF TRANSPORTATION

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order. This morning we have Deputy Secretary Trent, Assistant Secretary Connor, Mr. Fowler, Mr. Verstandig, Mr. Fairman, and, of course, Walter R. Boehner, the Director of the Budget, without whom we couldn't have these appropriations hearings.

I understand that you came back to clean up all of the mistakes and all of the problems that arose from our hearing yesterday with the Secretary and of course that is what a good backup team does.

PREPARED STATEMENT

Mr. Secretary, would you have anything to open the proceedings? As I understand, you have a statement that will be placed in the record. If you wish to summarize it and touch on the highlights, you may proceed at the pace that you think would be the most advantageous for you.

[The statement follows:]

STATEMENT OF DEPUTY SECRETARY DARRELL TRENT

I am pleased to appear before this Committee to discuss the fiscal year 1982 budget for the Office of the Secretary. It is through this office that we will set the policies and goals that the Department of Transportation will follow under this Administration. As Secretary Lewis outlined earlier in his overview statement before this Committee, we have established three principal goals to guide our efforts. They are: (1) to define the proper role of the Federal Government in transportation; (2) to restore the autonomy to deal with purely local transportation problems to the appropriate State and local jurisdictions; and (3) to eliminate Federal subsidies to those systems and services that should be self-supporting.

In line with the President's pledge to cut the rate of growth in Federal spending, we have proposed reductions in funding in all areas of the budget for the Office of the Secretary but mainly affecting research expenditures. We will realign studies planned for fiscal year 1981 and proposed for 1982 to correspond to the emphasis the Administration is placing on various policy issues.

It is essential that we give priority to those studies which will produce near-term benefits and applications, particularly to those which will reduce the Federal involvement in State and local transportation responsibilities. Reforms in Federal regulatory policies involving the private transportation sector have been underway for some time. These reforms have relieved both private and public transportation sectors of unnecessary and counterproductive Federal regulation, particularly in the economic regulation of the airline, trucking, and rail industries.

In FY 1982 we also anticipate significant progress in implementing enacted legislation, and we will monitor the impacts of our redirected policies to identify additional legislative proposals as appropriate.

I would now like to describe more specifically our revised budget request for the Office of the Secretary, which is $49.5 million in new budget authority, $2.7 million less than the January budget.

Salaries and Expenses

Under Salaries and Expenses, our fiscal year 1982 request is $39.8 million. This is $272,000 less than the January budget. The reduction is part of the President's governmentwide program to reduce travel, consultant services, and procurement of certain equipment. The Salaries and Expenses appropriation provides for overall management and staff to direct the programs and activities of the Department. No new or expanded programs are proposed.

The budget request includes funds for meeting our responsibilities under the Civil Service Reform Act; administering departmentwide application of the Occupational Safety and Health Act through development of a new safety information system to reduce accident losses; achieving maximum efficiency in our administrative processes wherever possible through development and improvement of automated systems; and for covering the wide range of housekeeping services and building rents for housing our operations. Our staffing request for Salaries and Expenses is 603 positions in both FY 1981 and FY 1982, 25 fewer than provided for in the 1981 Appropriation Act. As we gain experience with the functioning of the staff in this appropriation, we may see the need for some adjustments to improve our management capability. But this will be done within the 603 positions and we would plan to keep the Committee informed of any significant changes.

Transportation Planning, Research and Development

Under Transportation Planning, Research and Development, our amended budget amounts to $9,650,000 which is $2,380,000 below the January budget. This reduction is consistent with the President's program for Economic Recovery. As I mentioned earlier, we will emphasize policy studies in the areas of regulatory reform and implementation of enacted legislation. The revised request also proposes continuation of "special programs" that include a redirection of efforts in sharing of technology and planning information to illustrate how States and local governments can better help themselves to deal with their own local transportation problems without Federal involvement. We will also continue to conduct program evaluations and analyses.

To support these research activities, we are requesting 42 positions in FY 1981 and 38 positions in FY 1982. Both requests represent substantial reductions from the 47 positions provided in the 1981 Appropriation Act.

Working Capital Fund

The Working Capital Fund provides for expenses necessary for the maintenance and operation of common administrative services in the Department. This centralized approach is used extensively throughout the Executive Branch because of its inherent economy and efficiency. The users of the fund, who are the operating administrations of the Department, determine how much service they need and billings are based on the actual costs of services performed. No separate appropriation is requested.

We expect to handle the anticipated workload to be financed by the Working Capital Fund with 465 positions in FY 1981 and 455 positions in FY 1982, the latter constituting an 11% reduction from the 511 positions provided in the 1981 Appropriation Act.

This concludes my statement on our 1982 budget request. We will be glad to answer any questions you or the Committee members may have.

SUMMARY OF STATEMENT

Mr. TRENT. Mr. Chairman, thank you very much. I do have just very brief remarks to start the day's hearing.

I would say that after the very capable and detailed comments of the Secretary yesterday——

Senator ANDREWS. You say it so well.

Mr. TRENT [continuing]. That he did cover many of the things of the broad perspective for the Department of Transportation.

Senator ANDREWS. He did an excellent job.

Mr. TRENT. And I am pleased to have a chance to deal with some of the specifics of the Office of the Secretary, as a part of what is quite a large operation. It is through the Office of the Secretary that we set the policies and goals which Secretary Lewis outlined in his overview statement before the committee and which the Department of Transportation will follow under this administration.

In line with the President's pledge to cut the rate of growth in Federal spending, we have proposed reductions in funding in all areas of the budget, and we have realined studies to plan for fiscal year 1981 and proposed for 1982 to correspond to the emphasis the administration is placing on various policy issues.

It is essential that we give priority to these studies which will produce near-term benefits and applications, particularly to those which will reduce the Federal involvement in State and local transportation responsibilities, specifically by continuing reforms in Federal regulatory policies.

In fiscal year 1982, we also anticipate significant progress in implementing enacted legislation, and we will monitor the impacts of our redirected policies to identify additional legislative proposals as appropriate.

REVISED BUDGET

I would like to describe more specifically our revised budget request for the Office of the Secretary, which is $49.5 million in the new budget authority, $2.7 million less than the January budget.

SALARIES AND EXPENSES

Under salaries and expenses for fiscal year 1982, we are requesting $39.8 million to provide for overall management and staff, to direct the programs and activities of the Department. No new or expanded programs are proposed, but as we gain experience with the functioning of the staff in this appropriation, we may see the need for some personal adjustments among our staff elements to improve our management capability.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Under Transportation planning, research, and development, our amended budget amounts to $9.6 million. As I mentioned earlier, we will emphasize policy studies in the areas of regulatory reform and implementation of enacted legislation. The revised request also proposes continuation of special programs that include technology sharing and conducting program evaluations and analyses.

WORKING CAPITAL FUND

The working capital fund provides for expenses necessary for the maintenance and operation of the common administrative services in the Department. The users of the fund, who are the operating administrations of the Department, determine how much service they need and billings are based on the actual costs of services performed. No separate appropriation is requested.

Mr. Chairman, that concludes my brief opening remarks, and we would be glad to address the questions that we have covered in these specific areas.

MAJOR POLICY PRINCIPLES

Senator ANDREWS. Thank you, Mr. Secretary.

What are the major policy principles upon which the DOT budget is based?

Mr. TRENT. The major policy principles that we have undertaken in the Department reflect the overall approach that has been defined by the President in his February 17 speech and again reflected in the legislation that was submitted on March 17, 1981, as a part of the changes in the fiscal year 1982 budget.

Basically, we are committed to the principle of less Government rather than more Government. We are interested in taking the Government off the backs of private industry to help revitalize the economy and to insure that the most effective use of tax dollars can be directed through the programs of the Department.

We are interested in analyzing the different programs that have developed as a part of the Department of Transportation's overall missions and roles and to interpret those into the best use of funds that are available to ensure that we meet the needs of safety in the FAA, that we have a serviceable and effective railroad system in the United States, that we have safety in transportation that relates to the automobile and other particular modes, that we have an effective and operational Coast Guard that can undertake and carry out the roles and missions that have been assigned to it through legislation, that we can integrate and develop and manage a program that will improve the transportation in this country.

BUDGET/POLICY RELATIONSHIPS

Senator Andrews. Can you provide for the record an explanation of how each of your proposed major budget changes are related to those major policy principles.

Mr. Trent. I will be glad to do that, Mr. Chairman.

[The information follows:]

Budget Summaries

Senator Andrews. Provide a table for the record comparing Presidents Reagan's 1982 budget proposals with the fiscal year 1981 enacted budget, the proposed Carter budget, and include tabular comparisons of proposed supplementals, rescissions, and deferrals. Provide separate tables for outlays and budget authority.

DEPARTMENT OF TRANSPORTATION

RESCISSIONS

[Dollars in thousands]

	Carter	Reagan
UMTA: Waterborne transportation demonstration project		24,700
RSPA: Cooperative automotive research		11,500
Total rescissions		36,200
DEFERRALS		
OST: Transportation planning, research, and development		1,040
FAA:		
Facilities and equipment	359,533	365,783
Civil supersonic aircraft development	3,008	3,008
Civil supersonic aircraft development termination	342	342
Research and development	53	53
FHWA: Trust fund share of other highway programs—Great River Road		21,500
FRA:		
Railroad research and development		383
Rail service assistance		80,341
Northeast corridor improvement program		125,000
UMTA: Urban discretionary grants		210,000
RSPA: Research and special programs		3,100
Total deferrals	362,936	810,550

DEPARTMENT OF TRANSPORTATION
1981 SUPPLEMENTALS
($ in thousands)

	Carter		Reagan	
	Appropriations	Outlays	Appropriations	Outlays
OFFICE OF THE SECRETARY				
Pay: Regular	$ 1,027	$ 1,000	$ 827	$ 800
Increase in Limitation on Working Capital Fund	(1,139)	---	(1,139)	---
U.S. COAST GUARD				
Operating Expenses	95,575	95,575	95,575	95,575
Acquisition, Construction, and Improvements	2,000	890	2,000	890
Retired Pay	15,000	15,000	15,000	15,000
Reserve Training	1,000	1,000	1,000	1,000
Pollution Fund	15,000	3,500	15,000	3,500
Deepwater Port Liability Fund	5,000 1/	5,000	5,000 1/	5,000
Pay	54,745	54,740	51,996	51,991
FEDERAL AVIATION ADMINISTRATION				
Operations	6,700	6,000	---	---
Pay	119,450	115,705	107,503	104,085

1/ Also general provision

DEPARTMENT OF TRANSPORTATION
1981 SUPPLEMENTALS-CONTINUED
($ in thousands)

	Carter		Reagan	
	Appropriations	Outlays	Appropriations	Outlays
FEDERAL HIGHWAY ADMINISTRATION				
Darien Gap Highway	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Federal-Aid Highways (Liquidation of Contract Authority)	(1,250,000)	788,813	(1,250,000)	788,813
National Scenic and Recreational Highway (Liquidation of Contract Authority)	(12,000)	12,000	(7,000)	5,500
Highway-Related Safety Grants (Liquidation of Contract Authority)	(12,000)	8,588	(12,000)	8,588
Pay: Regular	686	659	555	535
Limitation on General Operating Expenses	(7,318)	---	(6,012)	---
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION				
Pay	700	670	434	404
FEDERAL RAILROAD ADMINISTRATION				
Rail Service Assistance: Appropriation	109,619 2/	14,619	84,619 3/	14,619
Portion Applied to Debt	(60,381)	---	(60,381)	---
Rail Labor Assistance	60,000 1/	60,000	60,000 1/	60,000
Amtrak	24,900	24,900	---	---
Settlements of Railroad Litigation: Appropriation	207,000	207,000	207,000	207,000
Portion Applied to Debt	(2,113,000)	---	(2,113,000)	---
Alaska Railroad Revolving Fund	2,000	2,000	2,000	2,000
Pay	1,750	1,665	1,211	1,126

1/ Also general provision
2/ $50M to be transferred to USRA
3/ $25M to be transferred to USRA

DEPARTMENT OF TRANSPORTATION
1981 SUPPLEMENTALS-CONTINUED
($ in thousands)

	Carter		Reagan	
	Appropriations	Outlays	Appropriations	Outlays
URBAN MASS TRANSPORTATION ADMINISTRATION				
Interstate Transfer Grants..............$	250,000	25,000	---	---
Pay..............	1,326	1,280	(1,000) 4/	1,000
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION				
Fire Damage (Increase in Limitation)..............	(225)	225	(225)	225
Pay (Increased in Limitation)..............	(54)	---	(45)	---
OFFICE OF INSPECTOR GENERAL				
Salaries and Expenses..............	1,000	980	1,000	980
Pay: Regular..............	630	605	---	---
Transfer..............	(385)	---	(385)	---
Totals: Appropriations..............$	982,608)	1,454,914	658,220)	1,376,131
Appropriations for debt reduction..............	2,173,381)		2,173,381)	
Appropriations to liquidate contract authority.	1,274,000)		1,269,000)	
Transfers..............	385)		1,385)	
Increase in limitations..............	8,736)		7,421)	

4/ By transfer from Research and Special Programs, RSPA

DEPARTMENT OF TRANSPORTATION

	Budget Authority 1/ ($ in thousands) Carter FY 1981	Reagan FY 1981	Carter FY 1982	Reagan FY 1982
Office of the Secretary	$ 46,469	$ 46,469	$ 52,102	$ 49,450
U.S. Coast Guard	1,863,250	1,863,250	2,200,707	2,191,052
Federal Aviation Administration	3,456,421	3,456,421	3,843,373	3,366,993
Federal Highway Administration	9,199,299	9,199,299	10,535,541	8,741,676
National Highway Traffic Safety Admin.	324,376	324,376	356,777	170,177
Federal Railroad Administration	3,635,267	3,635,267	1,834,760	1,045,521
Urban Mass Transportation Admin.	4,615,200	4,590,500	5,145,050	3,768,950
St. Lawrence Seaway Development Corp.	---	---	---	---
Research and Special Programs Admin.	43,420	31,920	51,801	30,047
Office of Inspector General	13,657	13,657	15,496	14,826
Subtotal	$23,197,359	$23,161,159	$24,035,607	$19,378,692
Proprietary Receipts	-51,609	-51,609	-51,418	-151,418
Total	$23,145,750	$23,109,550	$23,984,189	$19,227,274

1/ Excludes supplementals; includes proposed legislation (assumes enactment of President's legislative programs)

DEPARTMENT OF TRANSPORTATION

	Outlays 1/ ($ in thousands) Carter FY 1981	Reagan FY 1981	Carter FY 1982	Reagan FY 1982
Office of the Secretary	$ 49,612	$ 49,092	$ 50,473	$ 49,001
U.S. Coast Guard	1,793,669	1,793,669	2,146,965	2,052,310
Federal Aviation Administration	3,138,657	3,081,957	3,465,599	3,272,896
Federal Highway Administration	7,944,600	7,944,600	8,506,927	8,109,845
National Highway Traffic Safety Admin.	257,035	257,035	312,773	266,773
Federal Railroad Administration	3,559,248	3,530,855	1,680,508	1,178,510
Urban Mass Transportation Admin.	3,605,000	3,965,000	3,676,600	3,479,000
St. Lawrence Seaway Development Corp.	1,129	1,096	-43	-43
Research and Special Programs Admin.	33,731	26,181	41,539	27,485
Office of Inspector General	13,660	13,660	15,144	14,499
Subtotal	$20,396,341	$20,663,145	$19,896,485	$18,450,276
Proprietary Receipts	-51,609	-51,609	-51,418	-151,418
Total	$20,344,732	$20,611,536	$19,845,067	$18,298,858

1/ Excludes supplementals; includes proposed legislation (assumes enactment of President's legislative programs)

RELATIONSHIP BETWEEN BUDGET CHANGES AND POLICY PRINCIPLES

The President's message of April 7, 1981, to the Congress actually lists eight policy principles or criteria for proposed budget reductions:

1. Entitlement Programs must be revised to eliminate unwarranted beneficiaries and payments.

2. Subsidies and benefits for middle and upper income levels must be reduced.

3. Allocable costs of government programs must be recovered from those benefiting from the services provided, such as airports and airways, inland waterways and Coast Guard services to yacht and boat owners.

4. Sound economic criteria must be applied to economic subsidy programs such as synthetic fuels, Export-Import Bank loans, and subsidized loans.

5. Capital investments in public sector programs--such as highways, waste treatment plants and water resource projects--must be stretched out and retargeted.

6. Fiscal restraint must be imposed on programs that are in the national interest but are lower in priority than the national defense and safety net programs. Examples include NASA, National Science Foundation, and the National Institutes of Health, which would be allowed to grow at lower rates than planned.

7. Large numbers of categorical grants must be consolidated into block grants permitting less Federal administrative overhead, greater flexibility for State and local governments, greater efficiency in management and reduced overall costs. The principal examples are elementary and secondary education, and health and social services.

8. Federal personnel and overhead costs, and program waste and inefficiency must be reduced.

Of these, three were considered applicable to major DOT program reductions as follows: ($ billions):

Program	Effect on 1981-86 Net Outalys
3. (Allocable costs of government programs must be recovered from those benefiting from the services provided, such as airports and airways, inland waterways and Coast Guard services to yacht and boat owners.)	
a. Increase Airport and Airway User Fees	$ -5.4
b. Boat and Yacht User Fees	-1.5

Program	Effect on 1981-86 Net Outlays
4. (Sound economic criteria must be applied to economic subsidy programs such as synthetic fuels, Export-Import Bank loans, and subsidized loans.)	
a. Eliminate Conrail Subsidies	-1.4
b. Reduce Scope of Northeast Corridor Project	-0.3
c. Eliminate Branchline Subsidies	-0.4
d. Reduce Railroad Restructuring Assistance	-0.3
e. Phase Out Transit Operating Grants	-2.7
5. (Capital investments in public sector programs--such as highways, waste treatment plants and water resource projects--must be stretched out and retargeted.)	
a. Reduce Amtrak Fare Subsidy	-3.4
b. Eliminate Categorical Grants for Great River Road	-0.2
c. Retarget Highway Contruction Program	-4.7
d. Cut Back Highway Safety R&D	-0.1
e. Stretch Out Transit Capital Assistance	-5.6
6. (Fiscal restraint must be imposed on programs that are in the national interest but are lower in priority than the national defense and safety net programs. Examples include NASA, National Science Foundation, and the National Institutes of Health, which would be allowed to grow at lower rates than planned.)	
a. Reduce Highway Safety Grants to States	-0.6
Total Major Programs	$-26.6B

PERCENTAGE OF BUDGET REDUCTION

Senator ANDREWS. What percentage of the fiscal 1981 enacted budget was in DOT? Do you have that?

Mr. TRENT. Yes, Senator. The fiscal year 1981 enacted appropriations for Transportation were about 3.2 percent of the total for fiscal year 1981. That approximation was based on the 1981 column of the January budget, excluding Penn Central.

In the fiscal year 1982 Carter budget, Transportation is 3.1 percent of the total. In the fiscal year 1982 Reagan budget, Transportation is 2.6 percent of the total.

Basically the Department of Transportation accounts for a significant part of the reductions of the programs that have been undertaken by President Reagan, and one reason that the percentage would be significant is the limited amount of discretionary funds available in the overall budget, because social security and some other areas that are a large percentage of the budget have been unchanged.

Senator ANDREWS. Of the total savings that the President expects to make in the Federal budget through his proposal, what percentage is in DOT, including funds for Amtrak and Conrail? Do you have that percentage figure?

Mr. TRENT. Mr. Chairman, what we have calculated as the transportation percentage of total savings from the fiscal year 1982 budget is 7.4 percent.

Senator ANDREWS. In other words from a budget that has 2.6 percent of the overall budget, you are going to get 7.4 percent of the savings.

Mr. TRENT. That is correct, Mr. Chairman, but a part of that relates to the fact that the Department of Defense has actually been increased and also to the consideration that relates from what we have described as the Seven Sisters, or the programs that have not been reduced that provide benefits through social security and a number of other programs to take care of those that are truly needy.

Senator ANDREWS. Well, let's go back. What percentage of the overall budget did DOT get in 1979? Do you have that?

Mr. TRENT. We don't have that figure.

Senator ANDREWS. Can you hazard a wild guess? Do you have 1980?

Mr. BOEHNER. We don't have that.

Senator ANDREWS. Provide those for the record. Go back to about fiscal 1977 for the record, because all we have from what you gave us today is that you were at 3.2 percent, then you were at 3.1 percent, and then you went back to 2.6 percent, which is a 20-percent cut, about, in share of budget, and that you absorbed more than twice, almost three times of your relative share of the budget in the cuts.

Mr. TRENT. Mr. Chairman, in the budget process, which I participated in from the beginning of the Reagan administration, we very carefully evaluated each of the programs that had been selected and recommended for reduction. I have worked with each of the administrators of the different modes, and even though the reductions are significant, we feel confident that we can carry out the proper roles and missions of the Department of Transportation and can carry out an effective program that will continue with the stimulation that is necessary for a good transportation system.

I might also point out or reiterate a couple of things that were said by Secretary Lewis in his testimony yesterday, and that is that as we looked through the originally proposed $24.2 billion budget and have looked at the more than 100,000 employees that are a part of the Department of Transportation and we have determined in preliminary reviews that there are many additional changes and reductions that can be undertaken.

We will be reviewing mode by mode, division by division, in preparation for the fiscal year 1983 budget, evaluations of programs that can be improved in their efficiency and can be handled in a way to make further savings of Federal tax dollars.

Senator ANDREWS. Did he bring up a pearl of wisdom?

GOVERNMENTWIDE COMPARISON

Mr. TRENT. Yes; Mr. Boehner, who has been the good right arm of the Secretary and of me in this whole budget process, has given me information relating to reductions that have been undertaken by the different Departments as they compare to the Department of Transportation.

As I pointed out, because of the Defense Department and some of the other changes that took place, the numbers appeared somewhat distorted.

I think it is important to point out that the Department of Commerce has had reductions of 32.7 percent of their overall budget proposed for fiscal year 1982, which is a larger cut than the Department of Transportation.

The Department of Education reduction is 27.7 percent.

HUD has had reductions of 24.1 percent, Interior of 25.6 percent, Labor of 24.7 percent, as compared with the Department of Transportation for the fiscal year 1982 budget reduction of 19.8 percent.

Senator ANDREWS. You did better than the first figures would lead us to believe—either that or the President feels that the role of the Department of Transportation is an extremely important one.

Mr. TRENT. Mr. Chairman, we had a very open and reasonable dialog with the Office of Management and Budget during the budget process, and in those areas where we were able to demonstrate program needs that were beyond their suggestions for reductions, we found them to be very cooperative.

We think that the program that we present you for fiscal year 1982 is reasonable and complete and will allow us to carry out our responsibilities in a way that will be effective.

Senator ANDREWS. Could you provide Mr. Boehner's table at this point in the record, so we have all the functions of all the different departments.

Mr. TRENT. I will be glad to.

[The information follows:]

FY 1982 Budget Carter vs. Reagan
Budget Authority for Selected Agencies
($ billions)

Department	Carter Budget	Reagan Budget	% Cut
Department of Agriculture	$30.07	$25.93	-13.8%
Department of Commerce	3.06	2.06	-32.7%*
Department of Defense			
Military	195.66	221.80	+13.3%
Civilian	3.37	3.13	-7.1%
Department of Education	17.03	12.32	-27.7%*
Department of Energy	14.61	11.87	-18.8%
Department of Health and Human Services	258.41	255.27	-1.2%
Department of Housing and Urban Development	38.21	29.01	-24.1%*
Department of Interior	4.54	3.38	-25.6%*
Department of Justice	2.56	2.33	-9.0%
Department of Labor	37.02	27.89	-24.7%*
Department of State	3.02	2.79	-7.6%
Department of Transportation	23.98	19.22	-19.8%
Department of Treasury	104.73	92.93	-11.3%

* Deeper cuts than DOT.

HONORING PRIOR COMMITMENTS

Senator ANDREWS. Do the Reagan budget proposals intend to honor prior commitments where funds have been earmarked, reserved, or where letters of intent or no prejudice have been issued?

Mr. TRENT. Mr. Chairman, we have done a fairly careful evaluation of the types of commitments that have been made previously. We have attempted to be reasonable in our legal evaluation and have set a direction that we think will honor the commitments that have been made, recognizing the budgetary constraints.

Senator ANDREWS. Will there be any exceptions to this honoring of prior commitments? And if so, what are they and on what basis do you justify them?

Mr. TRENT. Mr. Boehner points out that, as the Secretary went into some detail yesterday, the urban initiatives program is proposed to be zeroed out in the fiscal year 1983 budget. We did, however, go into some additional detail on the different projects that have been a part of the urban initiatives budget, and that will be resubmitted and evaluated under section 3 of that particular act.

In other areas where there have been commitments that have been made, we will continue to do our best to carry those out within the budgetary constraints that we have.

Senator ANDREWS. Could you provide details on this for the record so that we don't wake up with some surprises about somebody coming in and saying, "Hey, we have got these commitments or this project here and this grant here and we have to adjust our budget."

That is one of the last things, when I take this bill to the floor of the Senate, that I want to run into, is having a colleague from some other State come up and say, "That is fine but we have got this $20 million commitment that is not included in here." So if you could have that, it would help us considerably.

Mr. TRENT. We will be glad to do that.

[The information follows:]

PROPOSED FUNDING OF COMMITMENTS

The revised budget does not affect funding for cities under letters of intent where construction has been initiated. Funding is provided to complete Urban Initiatives projects already under construction. Future requests for such projects will be considered under the overall discretionary grant program.

The following projects clearly meet the "under construction" criteria. The budget decisions on funding levels for new starts and urban initiatives assume that only these projects will be completed.

	($ in millions)		
	Prior Funding	FY 1981	FY 1982
New Starts & Downtown People Movers			
Miami Rapid Rail	$384.2	$195.0	$ 70.0
Miami Circulator 1/	2.1	11.5	2.6
Atlanta Rapid Rail-Phase B-1	50.0	40.0	40.9
Buffalo Light Rail	212.0	124.8	16.2
Baltimore - 1st Phase	589.2	4.8	--
Portland Banfield 2/			
Detroit DPM 3/ (Cancelled Project)	1.6	12.5	--
		388.6	129.7
Urban Initiatives			
Cambridge, MA (Kendall Square)	7.0	1.0	--
Burlington, VT (Church St. Mall)	3.8	1.6	--
Philadelphia (Gallery II Overbuild)	8.0	1.2	--
Roanoke (Terminal)	1.6	.5	--
Boston (South Station)	13.0	10.0	7.0
Cedar Rapids (Terminal/Joint Development)	1.6	2.0	2.6
Buffalo	3.1	3.7	.4
Davenport	1.7	2.7	--
Oakland	2.569	2.4	--
Baltimore Gardens	10.0	--	2.5
		25.1	12.5

1/ $8.5 million of FY 1981 funds have already been obligated. The indicated funding fully honors former Administrator Richard Page's $19.2 million commitment.

2/ Section 3 funding is deferred, but Interstate Transfer funding will be provided.

3/ FY 1981 funds had already been obligated at the time budget decisions were made.

STAFF VERSUS LINE AUTHORITY

Senator ANDREWS. Your predecessor continued the previous concept of having the Assistant Secretaries serve in a staff role, with little or no line authority to the various administrations. Do you agree, or should the Assistant Secretaries have line authority? By you, I mean Secretary Lewis, your shop?

Mr. TRENT. Yes, Senator.

It is the position of the Secretary, and a position that I support and encourage, that the activities of the Assistant Secretaries have a primary responsibility to the Office of the Secretary, and they can be used in looking at the different programs within the different modes, to help integrate and develop directions and program initiatives that should properly be set by the Secretary.

It is not anticipated at this time that there would be a change in that arrangement, and we will continue to use them as primary support for the Secretary but have him work very closely with them and through their counterparts in the different modes.

WORK FORCE REDUCTION

Senator ANDREWS. The President has stated that he plans to reduce the growth of Federal spending and limit the size of the Federal work force. What actions has the Department taken with regard to the Federal work force in DOT? Are you going to find it necessary to have any reductions in force?

Mr. TRENT. Yes, Mr. Chairman. We do have programed reductions in force, and I might go through those in a little bit of detail.

The fiscal year 1982 employment ceiling is reduced by 4,481 from the Carter budget. The fiscal year 1982 civilian ceiling of 65,162, which excludes Coast Guard military personnel, represents an additional 2-percent reduction from the Department's fiscal year 1981 ceiling of 66,344.

At this point in time, the Department has to reduce its on-board civilian staffing by 1,637 to meet its fiscal year 1981 requirements for the end-of-the-year employment ceiling of 66,344, and an additional 1,182 to meet its fiscal year 1982 end-of-the-year employment ceilings of 65,162. We do anticipate that normal attrition will contribute to this reduction, but the projections that we have at the present time indicate that there will by necessity be a reduction in force to meet these established goals.

In order to insure that the Department is in the best possible position to reduce Federal expenditures and the size of the Federal work force, the Department is continuing the freeze on its civilian hiring.

In some administrations within the Department, it may not be possible or desirable to rely on attrition to get down to the lower ceilings by the end of the fiscal year. Thus we will going through the analysis step by step on the reductions in force that might be necessary to meet this goal.

Senator ANDREWS. Can you provide details on that for the record.

Mr. TRENT. Yes, Senator.

[The information follows:]

REDUCTION-IN-FORCE ANALYSIS

The Department has been actively working to prepare for any necessary reduction in force. We have met with the Office of Personnel Management and have updated standard procedures for RIF. Each of our departmental elements has been provided with a copy of the updated RIF procedures. In addition, we have surveyed other agencies to assess their plans and procedures and made a visit to the Goddard Space Center, to learn from their experience with RIF. We are presently providing extensive technical training in RIF procedures to personnel specialists and less detailed briefings to managers in all of our operating administrations.

Recently, we instructed each of our operating administrations to carefully assess its personnel situation and make an initial determination as to whether or not RIF's would be necessary in order to achieve end-of-year goals.

We are analyzing these administration assessments and beginning our management planning process for achieving new employment levels. A preliminary estimate indicates that the following DOT Administrations will most likely have to undergo RIF's in order to meet fiscal year 1981 end-of-year employment ceiling figures: U.S. Coast Guard; Federal Aviation Administration; Federal Highway Administration; Federal Railroad Administration; National Highway Traffic Safety Administration; and Research and Special Programs Administration.

ORGANIZATIONAL CONSIDERATIONS

Senator ANDREWS. The President has spoken on occasion of the need to cut back and streamline the Federal Government. Are you considering any major reorganizations affecting the Department of Transportation, such as transfer of programs from other agencies into the Department or transfer of part of your Department to other agencies outside the Department?

Mr. TRENT. The primary emphasis that we have undertaken as a part of the first 2 months in the Department has been a thorough review and evaluation of the programs that we do have. We do not at the present have underway any proposed changes within the Department, although those will be a possibility as we go further down the line, I think particularly as we want to review the research and development functions within the Department and the expenditure levels that we have in house for R. & D., as compared to the possibilities of contracting outside the Department.

There are two particular areas that we have undertaken significant planning in, and Judith Connor has participated in some detail in the first and will continue that function, and that is the proposed sunsetting of the CAB, which is currently set for fiscal year 1985.

As you know, we proposed in our bill that has been sent to Congress that the sunsetting be at the end of fiscal year 1982, and the planning that has been necessary to determine the steps and functions and their proper location and integration is underway in some detail.

A second consideration has been the Maritime Administration, which is a part of the Department of Commerce. At this particular time, no firm decision has been made on that, but we are exploring steps that could be taken if that should be added to the Department as a part of the Transportation responsibilities.

Senator ANDREWS. In past years, we have called to the attention of each new administration a large number of individual organizational units in the Office of the Secretary. Do you plan any consolidations or other organizational changes in the office?

Mr. TRENT. Secretary Lewis has indicated that during the early part of the administration, we think that the most effective way to utilize the strengths of the Department would be to continue in operation with the structure that is in place.

No direct organizational changes are planned in the Office of the Secretary at this time. Organizational changes may result indirectly from other pursuits such as staffing reductions, program eliminations, or reorganization in other areas.

In order to reduce Federal spending and to improve departmental productivity, more immediate program activity and cost reduction, additional areas are being examined for elimination, reduction, and consolidation. But at this time I could not identify a single area that has been targeted for change.

Senator ANDREWS. Might I suggest that you keep the committee advised of these reorganizations as they come up, and your plans for them.

Mr. TRENT. We will be very glad to.

ENERGY CONSERVATION

Senator ANDREWS. The previous administration placed a great deal of importance on the need for energy conservation. What emphasis is being given to this subject in your budget? What is DOT's proper role in energy conservation?

Mr. TRENT. Energy conservation is still a very important consideration of the Federal Government. President Reagan has indicated that we should continue with the emphasis within departments and areas on steps that are necessary to hold down our own internal use of energy.

We have also entered into, with the Department of Energy, educational processes that can reduce energy consumption. We do, however, refer back to the January 20 deregulation of energy prices, and indicate that there is a primary commitment in the administration to the operation of the free market.

The price of gasoline has leveled off and there is some indication that the price may soften because of the unusually high levels of inventory which have accrued since prices have gone to this level.

We do have confidence in the free market, and we propose to let that work, although we do understand the importance of guidelines to insure that the Federal Government properly spends its money in an energy efficient way that recognizes conservation.

REGIONAL REPRESENTATIVE PROGRAM

Senator ANDREWS. Can you describe your regional representative program and tell us whether you are planning any changes in it?

Mr. TRENT. In the regional representative program, in order to reduce expenditures and improve the efficiency of the dialog beween the Secretary's office and these regional representatives, we have taken steps to reduce from 10 to 6 the number of regional representatives. This means that the California region IX representative will also cover region X, which had previously been a separate office in Seattle. We are also in the process of closing the Denver office, and these functions will be divided between the office in Dallas and the one in Kansas City.

Senator ANDREWS. I thought you would find a way to open an office in Fargo, N. Dak., or maybe Bismarck.

Mr. TRENT. We, at this stage, are continuing our evaluation.

Senator ANDREWS. Maybe Minot, so it could be served by Amtrak, which I am sure you will keep going. [Laughter.]

Mr. TRENT. I will defer to the Secretary's comments.

We will be closing the office in Boston and the one in New York and will continue with one east coast office to handle all the regions up and down through the Northeastern part of the country. We will be looking at continuation of the office in Atlanta, and we will operate with a six-region basis.

FEDERAL REGULATIONS

Senator ANDREWS. In February, the President announced a far-reaching program to reduce the burden of Federal regulations and paperwork and to lessen the intrusion of the Federal Government into our daily lives. What is the Department of Transportation doing in this respect?

Mr. TRENT. Mr. Chairman, one of the first undertakings in the Department, at the direction of the Secretary, was a memorandum sent to the heads of all the modes and the different operating divisions of the Department, asking them to begin an intensive internal review of those regulations that are in place.

We have met with representatives from all the different administrations and, in fact, I did chair that meeting and indicated to them the commitment of the President and of the Department to begin to unroll the regulations that are necessary and reduce the paper burden that has become a part of the process.

I had originally suggested that that meeting be held in my office, and when I found that the size wouldn't fit around the small table that I have, began moving it down to the conference room, and then finally to a room where 65 people appeared, and I began to get a first-hand feeling for the details of the regulations that are a part of the Department of Transportation.

The regulations of the Coast Guard will undergo particular scrutiny, as will the regulations that relate to the FAA, and we will be looking in detail at those that relate to highway traffic safety.

Secretary Lewis did announce with Vice President Bush last week the results of an intensive study that has been undertaken in the automobile industry, and we did find that by reductions of standards which will not impair or infringe on safety considerations, we could reduce considerably the cost of operation of auto plants and the manufacture of automobiles, so the consumer will benefit in the long run.

I think the beginning of this effort has been quite effective. John Fowler, our general counsel, has undertaken this responsibility as a primary operating official, and has worked more closely with it on a day to day basis than I have.

John, would you like to comment?

REGULATORY REFORM

Mr. FOWLER. In response, initially, to the Vice President's Task Force on Regulatory Reform, we did send over to the Office of Management and Budget and the task force a list of 46 major regulations that will be reviewed within the Department by midsummer, in terms of deciding where we should go in these areas.

In addition to that, several of the operating modes since the administration people have come on board, have identified other regulations of a major character that they are interested in reviewing in this current major review.

Beyond that there is starting a regulatory review that will go into the less important regulations or those with lower financial impact, and through that system and working with the modes and my office and the Office of Policy and International Affairs, we hope to develop a policy for determining what new regulations might be needed and how best to relieve the burden of many that exist.

ROLE OF THE OFFICE OF THE SECRETARY

Senator ANDREWS. Since you have now been in office something over 2 months, have you and the Secretary developed your views on what the role of the Office of the Secretary should have, and what changes if any you envision in this regard?

Mr. TRENT. Yes, Mr. Chairman, we have given considerable attention and time, both the Secretary's time and the time of each of the Assistant Secretaries here, in discussion of the proper role of the Secretary. We have set as an objective responsibility for developing national transportation policy consistent with the objectives and priorities of the President, and to provide objective management oversight of all the operating administrations, consistent with the goal that the Nation's transportation system needs should be met by the private sector to the extent feasible.

Changes reflecting the role of the Office of the Secretary include the following: Concentrated attention to national transportation issues such as assessment of the U.S. auto industry; potential air traffic controller labor negotiations; and Conrail. We have looked at improved management and reassessment of transportation regulations, legislation, programs, funding, and subsidies, consistent with the President's goals to reduce the Federal regulations and spending.

We have looked at and have begun a study of the proper roles and missions for the Coast Guard, because those have changed considerably within the last few years. We will be coordinating from the Secretary's office a detailed review to be conducted under the leadership of the new FAA administrator of the investment of substantial amounts of capital in the revitalization of the air traffic control system.

I think it is fair to say at this stage that Secretary Lewis has demonstrated that he is going to be a very active Secretary who will deal from a policy and management point of view with all the operations of different modes, and that there will continue to be and may even be a much greater focus on the establishment of transportation policies not only in the Department but in the Government as well.

He will continue that as a primary commitment and I will support him in his role as the leader of the Department.

PUBLIC INVOLVEMENT

Senator ANDREWS. When you do this, since you have the functions that involve aircraft safety and automobile safety and a host of other things, what attention are you going to give to bringing the public along with these changes you are making? They get pretty touchy when they think that somebody is tampering with their personal safety when they travel in their automobile and in the train—hopefully in the train or plane.

You have got jurisdiction over all these areas. You are going to make considerable changes. What type of educational program do you have in mind to give the public confidence that these changes are in their best interests?

Are you just going to quietly make them and look back on them as accomplished feats and then all of a sudden have the roof fall in when people begin to think that maybe they haven't been done in the right way?

Mr. TRENT. Mr. Chairman, I think Secretary Lewis has already established himself in a role as an active and highly visible Secretary of Transportation, but one of the things that he has tried to emphasize in all his statements and programs that have been announced, supported by the factsheets and specified in the studies that have been undertaken, is his commitment to safety in transportation of all different modes for which the Department has primary responsibility.

I think that further, though, your point is well taken and that we need to develop as a part of our administration an educational program that will show the steps that we are taking and the reasons that we are taking them; and also to demonstrate the effort that has been undertaken in the Department by the administrators of the modes and also those that are a part of the Office of the Secretary, to make sure that safety, which is not only a moral responsibility but a requirement of law, is very properly considered in each of the changes that we have undertaken and will undertake.

CONSUMER PARTICIPATION

Senator ANDREWS. In the past, we have had administrations, people sitting where you are sitting today, who have thrown different programs at a problem with the idea that if you invent three or four new programs you are going to solve the problem. They have been catering more to the concept the general public has that they would like to be protected from this, this, and this, rather than to confront the solid engineering principles to where they can be effective and helpful.

Are you going to, in the public relations endeavor, explain what you are doing, why you are doing it, and do any testing of public opinion? Are you going to have any consumer panel groups come in and visit with you? Are you going to set up any type of public participation mode where we have people come in to say what they feel about these things?

Mr. TRENT. Mr. Chairman, I think it is very important to establish and maintain a dialog, so that one does not lose touch with the constituency or the group that they are interacting with as a member of the executive branch in Government.

We do plan in each of the programs to continue the dialogs that have developed. In the FAA, for example, the exchange of ideas not only in congressional hearings but also through discussions by people in the field, with those in local communities and the evaluation and assessment of the problems and details that develop in administering the different programs that relate to safety will be a very careful consideration.

We have already stated in the Northeast corridor, that safety and reliability will be our two primary goals, even though we have reduced by $310 million the funding that had originally been programed. We have requested that reduction for expenditures in the Northeast corridor, but we feel that we can do that with a primary consideration of safety.

But I think the important thing is, that although we will be looking to public relations and to a dialog with the private sector, our primary emphasis will be placed on the bottom line. We are very pleased that in 1980, the air traffic safety record was the best probably since 1932, maybe on an absolute basis the best in the history of the country.

We are going to continue to look at the bottom line and to continue to evaluate those situations that develop, to try to be sure that if changes begin to occur or if we detect weaknesses in the system that relate to safety that we will consider not only the reprograming that we have available within the different modes, but we will be back to talk with you and ask for your support and assistance in changing programs to insure that safety is a continuing primary commitment of the Department of Transportation and the administration.

RESEARCH AND DEVELOPMENT ROLE

Senator ANDREWS. What do you think the Department's role in research and development should be, versus that of the private sector?

Mr. TRENT. Mr. Chairman, I have something of a problem with this, and it is an area that I want to look into in some detail, and at this stage we have not had a chance to go into a careful consideration and evaluation of the different research and development functions of all the different modes of the Department.

I have reviewed preliminary reports and some very detailed reports that have been put together in previous evaluations. I have been assured by those that have been a part of the Department of Transportation that R. & D. is an important consideration and in many cases can be better done in-house than in the private sector.

But I think we need to take a measure of cost effectiveness in making determinations as we prepare our fiscal year 1983 budget, and it is certainly one of the areas that the Secretary and I will be reviewing most carefully.

ACCURACY OF STUDIES

Senator ANDREWS. How are you sure that the figures you come up with are accurate? Oftentimes some of the studies that you get from the outside end up by being studies from groups with axes to grind, and they are about as biased as you can get them.

How are you going to sift through all that if you don't maintain some type of either in-house capability for analyzing, or contract out with some universities to make sure that the input you get is, in fact, accurate?

Mr. TRENT. Mr. Chairman, I think your point is very well taken and I don't think either Secretary Lewis or I would propose that we move totally in one direction. I think the real question relates to the proper mix and the cost effectiveness of the kind of projects that can be undertaken internally as compared with what is available on the outside.

Our evaluation will not be with the idea of taking the Department of Transportation out of the role of research and development, because we have found that in each of the modes they do have a very strong and in many cases effective R. & D. capability which has been properly executed in the past.

But the main thing is to try to put together in as much detail as possible an evaluation that we feel comfortable with and coming back to you with recommendations for changes in the fiscal year 1983 budget.

Senator ANDREWS. When you come back with those recommendations at our next set of hearings, we will have in place this disciplined analysis of the problems and the opportunities, so that we can be assured that the steps we are taking are steps that have a basis in fact and are definitely going to work to improve the travel potential and transportation potential of our country at the lowest net cost to the taxpayer.

Mr. TRENT. Mr. Chairman, we will certainly undertake as a primary commitment a careful evaluation for the fiscal year 1983 budget. As we are before you today defending the changes and proposals that we have as a part of the fiscal year 1982 budget, I have already begun the process for the fiscal year 1983 budget, and with the full review process that we can go through between now and appearing before you in this process next year, I am sure that we will have assimilated a great deal more information and looked at in much more detail at different areas than we have had an opportunity to do this time.

Senator ANDREWS. And in the meantime, you will keep the committee apprised of any significant change, so that we will have the opportunity to move into a hearing mode for 1 or 2 days if anything is of enough significance to require that we get the facts on the record.

Mr. TRENT. Mr. Chairman, we look forward to working closely with you and your committee and members of your staff in any changes that we develop within the Department.

NORTH DAKOTA BILLBOARDS

Senator ANDREWS. At our hearing with Secretary Lewis yesterday, Mr. Fowler, the subject of interim permitted billboards in North Dakota came up. The Secretary indicated his willingness to declare the signs compensable if you advised him that it was in his authority, so the Secretary suggested that we address our concern to you in this matter.

Rather than getting into a long legal discussion at this point in the record, we have prepared a summary memorandum that the clerk just gave to you, and ask that you personally review the matter and then get back in touch with us.

Mr. FOWLER. Mr. Chairman, I will be happy to review this matter and will be back promptly with my opinion on the thing and discuss it with you and see if we can come to some decision.

Senator ANDREWS. I appreciate that very much.

SUBMITTED QUESTIONS

Senator Chiles has some questions for the record. I have some questions for the record.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR ANDREWS

BILL LANGUAGE

Senator Andrews: For the record, explain in detail and justify each of the Bill language changes you are proposing in the fiscal 1982 budget, including deletions.

(the information follows)

Note: Unless otherwise specified, all page references are to the Fiscal Year 1982 Budget Appendix.

U. S. COAST GUARD

1. Deepwater Port Liability Fund
   - Page I-Q13 proposes implementation of the Deepwater Port Liability Fund.
   - Page I-Q64 proposes a new general provision to limit obligations which can be placed on the foregoing fund in 1982.
2. Operating Expenses
   - Page I-Q4 proposes a change in the mix of passenger motor vehicles to be purchased in fiscal year 1982. This is a routine annual adjustment.

FEDERAL AVIATION ADMINISTRATION

1. Operations
   - Page I-Q15 changes number of replacement passenger vehicles authorized to "four", a routine annual adjustment.
2. Operations and Maintenance, Metropolitan Washington Airports
   - Page I-Q18 changes number of replacement motor bikes authorized.
3. Facilities, Engineering and Development
   - Page 238, House Document No. 92-29, amending page I-Q17 of the Appendix, deletes heading and appropriation language reflecting the deletion of this as a separate account and the transfer of its functions and funding into other accounts supported by the Airports and Airways Trust Fund.
4. Facilities and Equipment
   - Page I-Q23 deletes provision prohibiting construction of wind tunnel, purchase of land for FAA Technical Center, and decommissioning of more than five flight service stations. The Department has no plans to construct a wind tunnel or acquire Technical Center land, but the restruction on flight service station decommissioning fails to recognize possible needs to close stations becoming only marginally active.

5. Facilities and Equipment

   - Page 239, House Document No. 97-29, amending page I-Q22 of the Appendix, deletes authority to "purchase one aircraft."

6. Research, Engineeering and Development

   - Page 239, House Document No. 97-29, amending page I-Q24 of the Appendix, adds language reflecting the inclusion in this appropriation of certain functions and funding which heretofore had been in the Facilities, Engineering and Development appropriation.

7. Aircraft Purchase Loan Guarantee Program

   - Page I-Q26, President's Fiscal Year 1982 Budget Appendix, deletes an exemption to the limitation in this account because of its unique relevance to fiscal year 1980 and fiscal year 1981 activity.

   - Page 240, House Document No. 97-29, amending page I-Q25 of the Appendix, inserts new language limiting new loan guarantee commitments to those loans made for the purchase of relatively small carrier aircraft.

8. General Provisions

   - Page I-Q60 proposes amendment of Section 303 to remove reference to gender.

   - Page I-Q62 proposes deletion of Section 328. The April 26, 1981 ending date of the restrictive provision makes this section not relevant to 1982.

FEDERAL HIGHWAY ADMINISTRATION

1. Highway Beautification

   - Page I-Q27 proposes deletion of appropriation language for a program proposed to be discontinued as a separate category.

2. Territorial Highways

   - Page I-Q28 proposes deletion of appropriation language for a program proposed to be discontinued as a separate category.

3. Access Highways to ...Lakes

   - Page I-Q30 proposes deletion of appropriation language for a program proposed to be discontinued as a separate category.

4. Interstate Transfer Grants - Highways

   - Page I-Q34 proposes new appropriation language following proposed legislation to finance this program from the Highway Trust Fund.

5. Carpool and Vanpool Projects

   - Page I-Q36 proposes deletion of appropriation language for a program proposed to be discontinued as a separate category.

6. Highway-Related Safety Grants

   - Page I-Q60, Section 303, is proposed to be deleted as part of proposed legislation to discontinue the 23 U.S.C. 402 standards controlled by the Federal Highway Administration.

7. Federal-Aid Highways

   - Page I-Q61 proposes amendment of Section 309.

     The amendment changes the state-by-state distribution formula enacted last year to one which distributes the entire ceiling to the states for the whole year. Last year's formula distributed 80% of the ceiling for 10 months, and let the 20% balance go first-come, first-served.

     The amendment includes a simple obligation rate control which limits each state's obligations in the first quarter to 25% of the formula distribution. There is no rate control after the first quarter.

     The amendment also includes a mechanism for redistribution of funds which a state cannot use, so that actual obligations can reach the full amount of the limitation.

8. Great River Road

   - Page I-Q61 proposes deletion of Section 310 as part of proposed legislation to discontinue this program as a separate category.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

1. State and Community Highway Safety

   - Page I-Q42 proposes deletion of a one-time project related to energy conservation.

2. General Provisions

   - Page I-Q60 proposes deletion of Section 316. The Department of Transportation is required by law to hold public hearings on a number of its statutory activities. This prohibition interferes with the fair and reasonable process relating to these activities.

   - Page I-Q61 proposes deletion of Section 317. The section is unnecessary since the Department of Transportation has no programs affected by this provision.

FEDERAL RAILROAD ADMINISTRATION

1. Rail Service Assistance

   - Page I-Q46 adds language to prohibit the Department of Transportation from guaranteeing United States Railrway Association loans to railroads connected to the Conrail system. Such railroads are eligible and encouraged to seek funding under Title V of the 4R Act.

2. Rail Labor Assistance

   - Page I-Q48 deletes this appropriation for which no funding is proposed after FY 1981.

3. Northeast Corridor Improvement Program

   - Page I-Q48 deletes the previous reference to "title I of Public Law 95-599" because the grade crossing authorization expired at the end of FY 1981.

4. Grants to the National Railroad Passenger Corporation

   - Page I-Q50 deletes the provision for advance funding of capital programs because no production line purchases are proposed.

5. Railroad Rehabilitation and Improvement Financing Fund

   - Page I-Q52 adds language that would limit to $320 million the amount of loans that can be guaranteed in FY 1982.

URBAN MASS TRANSPORTATION ADMINISTRATION

1. Urban Discretionary Grants

   - Page I-Q53 proposes deletion of the Section 504 provision so that UMTA and transit agencies may adhere to Section 504 of the Rehabilitation Act of 1973 concerning the provision of accessible facilities for handicapped people. The Administration is submitting legislation to amend the Handicapped legislation as it pertains to transportation and also intends to modify the current Section 504 requirements.

2. Urban Discretionary Grants

   - Page I-Q53 proposes deletion of the "Buy America" provision because it is no longer needed, since the Department's final regulations were published on March 31, 1981.

3. Urban Discretionary Grants and Urban Formula Grants

   - Page I-Q53 proposes to amend the provision concerning "life-cycle costs, etc., to delete shall" and replace it with "may", because (a) there is much confusion among local agencies as to how life-cycle costs should be calculated, and (b) this prescription of methodology in substitution for the lowest bid has been considered by state and local agencies as an intrusion into their decision process.

4. Waterborne Transportation Demonstration Project

   - Page I-Q53 proposes deletion of this language because the project would not be cost-effective, since a parallel commuter rail line, the New Jersey Shore Line, has recently been improved with Federal assistance.

5. Interstate Transfer Grants - Transit

   - Page I-Q54 proposes deletion of the portion dealing with highway projects as a technical change, since the transit and highway portions now appear separately in the UMTA and FHWA appropriation requests.

6. General Provisions

   - Page I-Q61 proposes Section 308 for deletion since it conflicts with the provisions of existing substantive law.

RESEARCH AND DEVELOPMENT

Senator Andrews: How do the levels of research funding in DOT compare with other Cabinet Department research programs in terms of change from last year?

RESEARCH PROGRAMS
OBLIGATIONS 1/
($ in millions)

	1981	1982	Change
Defense - Military Functions...........	$17,426	$22,190	$+4,764
National Aeronautics and Space Admin...	5,949	6,609	+660
Energy.............................	5,529	5,370	-159
Health and Human Services..............	5,805	6,200	+395
Agriculture...........................	1,088	1,220	+132
Interior.............................	499	472	-27
Transportation........................	399	391	-8
Commerce.............................	369	325	-44
Labor................................	95	96	+1
Education............................	148	105	-43

1/ Excludes HUD, Justice, State, and Treasury

DOT RESEARCH AND DEVELOPMENT

Senator Andrews: Please provide for the record showing by administration the percent of their total request which is for research and development activities for FY '82, the percent of total request for each administration relative to the total request for the Department for fiscal 1982, and the percent that each administration's requested research and development program represents out of the total Department of Transportation's request for research and development.

DEPARTMENT OF TRANSPORTATION
RESEARCH AND DEVELOPMENT
FY 1982 OBLIGATIONS

	Admin. R&D as % of Budget	Admin. as % of DOT Budget	Admin. R&D as % of DOT R&D
Office of the Secretary................	22.0	0.2	2.6
U. S. Coast Guard......................	1.4	11.1	7.2
Federal Aviation Administration........	3.8	16.9	31.0
Federal Highway Administration.........	0.6	44.2	11.6
National Highway Traffic Safety Admin..	42.4	.9	17.4
Federal Railroad Administration........	4.3	5.9	12.2
Urban Mass Transportation Admin........	1.5	20.5	14.3
Research and Special Programs Admin....	40.6	.2	3.2

OST PLANNING, RESEARCH AND DEVELOPMENT

Senator Andrews: With regard to Transportation Planning, Research and Development, what do you believe is the proper relationship between the Office of the Secretary and the Operating Administrations?

Response: Responsibility for development of overall Departmental policies and assessment of their impacts on the public and private transportation sectors is vested in the Office of the Secretary. The Secretary is able to analyze policy issues (with the support of a specific research appropriation) without being committed to the interests of any particular mode. He is able to look at questions affecting a particular mode in the context of the overall transportation system.

Some research activities of the Operating Administrations, particularly the Research & Special Programs Administration (RSPA), are complementary to OST research objectives, and specific tasks are often assigned to a particular administration in support of policy development or to assess the impacts of enacted legislation and policies. The modal administrations contribute their expertise through jointly funded research and technical coordination. This relationship works very well and is encouraged to maximize the use of available Departmental resources.

OST PLANNING, RESEARCH AND DEVELOPMENT

Senator Andrews: Please provide for the record a listing showing your planning, research and development contracts by title and amount, broken down by office.

(The information follows)

Office of the Assistant Secretary for Policy and International Affairs

FY 1980
($s in thousands)

TITLE	AMOUNT
Noncompensatory RR Rates and Minimum Rate Regulation	$ 50
Regulatory Impacts of Auto Industry	146
Study of Intercity Bus Operations	47
Analytical Support of Motor Carrier Regulatory Policy	100
Estimated Employment Impact of DOT Programs on National Scale	51
Study of DOT Noise Control Program	102
Maintaining & Rehabilitating National Transportation System: Financial Trends and Federal Role	99
Policy Review of Transportation Productivity	98
Integrating the Urban Transportation System	147
DOT Assessment of the Auto Industry	245
Synthesis of Urban Transportation Demand Elasticities	40
Departmental Strategic Planning Capability	10
Coal Exports Analysis and Report	51
Input for Emergency Transportation Preparedness	18
Transportation Energy Land Use	48
Survey of Air Jet Fuel Prices at Foreign Stations	12
Environmental Impact Statement on Section 504 of Handicap Access to Transportation Facilities	246
Study of Small Community Trucking Service	43
Transportation Agenda for the 1980's	35
Urban Revitalization	150
Study New Airline Reserv. & Ticketing Technology	20
Develop Long-Range Urban Transportation Policy Statement	14
Highway Facilities and New Federal Regulations	90
Role of Transportation in Business Location Decisions	80
Comparison/U.S. Air Finances & Domestic Efficiency and Utilization	17
Study of DOT Section 504 Regulatio	170
Transportation Energy Policies Project (TSC)	235
Regulatory Reform Research (TSC)	570
International Airlines Passenger Data Collection (TSC)	150
Waterway User Charge Analysis (TSC)	755
Intercity Bus Data Base Project (TSC)	39
Airlines Data Reporting and Analysis (TSC)	118
Transportation Fire Safety (TSC)	25
Transportation Safety Information Report (TSC)	12
Impact of Changes in Truck Size and Weight (TSC)	405
Analytical Support/International Airline Negotiations (TSC)	13
Ride Sharing (TSC)	104

TITLE	AMOUNT
Transportation Petroleum Forecasts (TSC)	48
Chrysler Loan Board Support (TSC)	150
Auto Industry Analysis (TSC)	825
TOTAL	$ 5,578

FY 1981 to date
($s in thousands)

Impact of Rate Deregulation on Port Equalization and Development of the East Coast	$ 10
Urban Transit Investment Analysis	85
Review of Analytic Procedures	19
National Transportation Needs Study Report	235
Research on Structure of Auto Aftermarket Industry	24
Transportation Energy Policies Project (TSC)	265
Regulatory Reform Research (TSC)	400
International Airlines Passenger Data Collection (TSC)	163
Waterway User Charge Analysis (TSC)	319
Intercity Bus Information Project (TSC)	47
Airline Date Reporting and Analysis (TSC)	99
Impacts/Truck, Size and Weight Limits (TSC)	215
Chrysler Loan Board Support (TSC)	100
Automotive Industry Analysis (TSC)	647
Railroad Industry Restructuring (TSC)	200
Strategic Planning Analysis (TSC)	150
Airframe & Aircraft Engine Mfg. Industry Analysis (TSC)	105
Regional Industrial Analysis (TSC)	150
Auto Industry Technical Assistance (TSC)	40
TOTAL	$ 3,273

Office of the Assistant Secretary for Budget and Programs

FY 1980
($s in thousands)

Evaluation of Facility/ Accellerated Rail Service Testing	$ 113
ATC Computer Cost Estimation	20
UMTA Grants Program Evaluation Reference Base	20
Airworthiness Blue Ribbon Panel	158
Air Quality Technical Assistance Demonstration	50
Targeted Jobs Demonstration	250
TOTAL	$ 611

TITLE		AMOUNT
FY 1981 to date ($s in thousands)		
Automotive Ratings Program Evaluation		$ 107
Service & Methods Demonstration Evaluation		77
FAA Operations Program Evaluation Reference Base		40
Bureau of Motor Carrier Safety Evaluation		199
Puget Sound Safety Study		55
Transportation Investment Studies		40
Urban Policy Evaluation		60
	TOTAL	$ 578

Office of the Assistant Secretary for Governmental Affairs

TITLE		AMOUNT
FY 1980 ($s in thousands)		
Intermodal Planning Assistance/State & Local Governments		$ 133
Direct Technology Sharing Assistance		60
State & Local Needs Definition		20
Technology Sharing Document Preparation		144
Technology Briefs/Nat'l Conference of State Legislatures		15
Quick Response Planning Overview		20
Hazardous Materials Document		24
Intergovernm't Personnel Assignment/State & Local Programs		32
Assessment/Technology Document Control System		76
	TOTAL	$ 524
FY 1981 TO DATE		
Intermodal Planning Assistance/State & Local Gov't		$ 50
Transportation Improvements/Local Economic Development		100
Direct Technology Sharing Assistance		65
State & Local Needs Definition		15
Technology Sharing Document Preparation		120
Urban Consortium/Innovative Technology Sharing		75
Hazardous Materials Guidebook		10
Technology Sharing Training Packages		50
White House Aging Project		20
Intergovernmental Personnel Assignment		35
	TOTAL	$ 540
	GRAND TOTALS:	
	FY 1980	$ 6,713
	FY 1981	$ 4,391

FAA EN ROUTE COMPUTER SYSTEM

Senator Andrews: What benefit-cost studies have been performed relating to the FAA's en route computer system? Provide the specific findings for the record. What is OST's proper role in this?

Response: To date, the FAA has conducted two preliminary benefit-cost analyses on the en route computer system, the first having been done in December, 1980. The methodology used for both studies was identical, but the inputs were changed in the latter instance to reflect greater detail in the costs. The second analysis also examined the effects of changing the discount rate and included the effects of inflation. The following assumptions were used:

1. The time span of the studies was 30 years.
2. Benefits included savings due to reductions in (a) fuel cost, (2) delay cost, and (3) controller work force.
3. No benefit was taken for the improved safety which would accrue from the introduction of three interrelated products assumed to have been installed in the air traffic control (ATC) system, i.e. the 9020 replacement system, Direct Access Beacon System (DABS) avionics and ground environment, and Advanced En Route Automation (AERA) coding. This benefit, although expected by FAA to be real, is difficult to quantify with any degree of statistical confidence because of the extremely good safety record of the system.
4. Costs were stated in 1980 dollars.
5. Costs included development as well as hardware and software implementation for (a) 9020 replacement, (b) DABS, and (c) AERA coding.
6. Sunk costs were not included.
7. The inflation rate used in the anlyses was based on the Wharton Econometric Forecasting Model averaging 7.6% per year compounded.

The results of the first of these preliminary studies were as follows:

SCENARIO	BENEFITS	COSTS	BENEFIT/COST RATIO
No Traffic Growth	1.80	1.36	1.30
Expected Traffic Growth	4.95	1.38	3.59
Expanded Traffic Growth	9.98	1.38	7.23

The more recent study, which used more sophisticated computer modeling, produced results which were essentially in agreement with the first analysis, i.e. favorable to the program, given expected traffic growth levels. These efforts are, nonetheless, unpublished preliminary anlayses which the FAA will be continuing to update and refine. The OST role concerning benefit-cost studies pertaining to any Major System Acquisition is one of general evaluation and oversight. Thus, as the FAA refines the results of its analyses of the ATC Computer Replacement Program, we will be working closely with them to help ensure the validity and accuracy of their findings. Another aspect of OST's role in this process is illustrated by the forthcoming task force review of the FAA's future ATC system capital needs. A review group, to be chaired by the Deputy Secretary, will be examining the computer replacement program as a part of its overall effort to determine future system capital needs.

EMPLOYMENT CEILINGS

Senator Andrews: Please provide for the record a table comparing the Department's permanent full-time employment ceiling by administration as it appeared in the President's fiscal year 1981 Budget request and the current fiscal year 1981 ceiling.

DEPARTMENT OF TRANSPORTATION FULL-TIME PERMANENT EMPLOYMENT CEILINGS

	Original FY 1981 Request As Amended	Current FY 1981 Ceiling
Office of the Secretary	1,203	1,116
U. S. Coast Guard: Civilian	6,352	5,615
Military	39,487	39,819
Federal Aviation Administration	55,901	51,786
Federal Highway Administration	4,177	3,812
National Highway Traffic Safety Admin.	828	751
Federal Railroad Administration	1,589	1,275
Urban Mass Transportation Admin.	606	572
St. Lawrence Seaway Development Corp.	192	186
Research and Special Programs Admin.	896	788
Office of Inspector General	488	443
Total: Civilian	72,232	66,344
Military	39,487	39,819
	111,719	106,163

EMPLOYMENT

Senator Andrews: What were your fiscal 1982 requests for DOT positions to OMB and what did you receive?

Response: The Department of Transportation requested 74,681 Full-time Permanent Direct positions and 42,089 Military positions from OMB for fiscal year 1982. DOT received 68,520 Full-time Permanent Direct positions and 39,751 Military positions from OMB for FY 1982 including the March 1981 revisions.

Senator Andrews: What percentage of the authorized positions in the Office of the Secretary are currently filled?

Response: The 1981 authorized full-time permanent positions in the President's budget for OST is 1,172. As of March 31, 1981, OST had 1,081 full-time permanent employees on-board. Thus, 92 percent of the authorized positions in OST were filled as of March 31, 1981.

BONUSES AND AWARDS

Senator Andrews: What is your general policy in regard to bonuses and awards and what mechanisms have you established to prevent abuses?

Response: Since late in 1979, a task force of the Administrative Management Council, comprised of some of the senior career employees of the Department, has worked on a system to encourage excellence in performance by all Senior Executive Service members. The final result of this effort is a system which combines significant independent discretion by the Head of each Operating Administration within the Department with the ultimate authority vested in the Secretary. In this process, every effort has been made to avoid any questions regarding the integrity of the Bonus System as administered in the Department. In accordance with guidance provided by the Office of Personnel Management, the performance appraisals of all Senior Executive Service members covered by the Department's performance appraisal process were reviewed by an appropriate Performance Review Board established within each Operating Administration and the Office of the Secretary. Nominations for bonuses were then submitted by the Head of each Operating Administration to a Departmental Performance Review Board comprised of the Deputy Secretary, a career Administrator who received a Presidential Rank Award, the Acting Assistant Secretary for Administration, and a career official from the Office of Personnel Management who was also a recipient of a Presidential Rank Award. In addition to the completed Performance Appraisal Record which documented individual accomplishment, Departmental Officers were required to submit for review a justification in support of each bonus recommendation. The final decision on those career members of the Senior Executive Service who received bonuses as well as the amount was made by the Secretary based on the recommendation of the Departmental Performance Review Board.

Senator Andrews: Please provide for the record the total amount of Office of Personnel Management bonuses or other similar awards given to Department of Transportation employees. Also submit a list of those persons who served on committees or other groups involved in determining the amounts of bonuses or similar awards to be granted, including the amount of the bonus or the award each such person received.

Response: In accordance with Office of Personnel Management guidance, approximately 20 percent of Departmental career Senior Executive Service members received performance bonuses for the 1980 performance appraisal period. The total dollar amount of the performance bonuses awarded within the Department was $308,000. In 1980, four of the Department's Senior Executive Service members were awarded the Presidential Rank of Distinguished Executive and eleven of the Department's Senior Executive Service members were awarded the Presidential Rank of Meritorious Executive. The total dollar amount of these awards was $190,000. Those executives who were the recipients of Presidential Rank Awards did not receive performance bonuses for the 1980 performance appraisal period. In accordance with Departmental bonus procedures, actual bonus recommendations were submitted by the Heads of Operating Administrations and Departmental Officers for review by the Departmental Performance Review Board and the final determination made by the Secretary. Presidential Rank Award nominees were reviewed by an ad hoc committee formed by the Secretary and submitted to the Office of Personnel Management where the nominations were reviewed by a series of panels composed of individuals from Government, business, academic and the civic sectors. Following is a list of those individuals who served on various Departmental Performance Review Boards who were also recipients of a performance bonus.

PERFORMANCE REVIEW BOARD MEMBERS GRANTED BONUSES

$10,000 Awards

Gene Weithoner
Associate Administrator for Administration, FAA

William Loftus
Associate Administrator for Federal Assistance, FRA

Leon Santman
Director, Materials Transportation Bureau, RSPA

$9,000 Awards

Frank Berndt
Chief Counsel, NHTSA

$7,000 Awards

Raymond Sander
Director, Office of Management Planning, OST

Neil Eisner
Assistant General Counsel for Regulation and Enforcement, OST

Walter Luffsey
Associate Administrator for Aviation Standards, FAA

Paul Baker
Director, Central Region, FAA

Richard Morgan
Associate Administrator for Engineering and Traffic Operations, FHWA

Dana Scott
Associate Administrator for Administration, NHTSA

$5,000 Awards

Richard Walsh
Director, Office of Transportation Economic Analysis, OST

Alfonso Linhares
Director, Office of Technology Sharing, OST

Rosalind Knapp
Assistant General Counsel for Legislation, OST

$5,000 Awards (Contd.)

Walter Boehner
Director, Office of Budget, OST

Karen Lee
Deputy Assistant Secretary for Administration, OST

Edward Quick
Director, Office of Civil Rights, FHWA

Barry Felrice
Associate Administrtor for Plans and Programs, NHTSA

Rhoads Stephenson
Associate Administrator for Research and Development, NHTSA

Lynn Bradford
Associate Administrator for Enforcement, NHTSA

Charles Livingston
Associate Administrator for Traffic Safety Programs, NHTSA

Stephen Ditmeyer
Associate Administrator for Research and Development, FRA

James Constantino
Director, Transportation Systems Center, RSPA

John Hodge
Associate Administrator for Policy, Plans and Program Management, RSPA

CONFLICT OF INTEREST

Senator Andrews: What are the Department's policies with regard to conflict of interest?

Response: The Department's policy concerning contracts involving former Departmental employees is derived from Title V of the Ethics in Government Act of 1978, as interpreted in regulations issued by the Office of Government Ethics.

This Act generally prohibits a former government employee from acting as another person's representative to the government in matters in which the employee had been involved while in the government. With the exception of the one-year "cooling off" period applicable to designated senior employees, the Act's limitations vary with the former nonsenior employee's prior degree of involvement in a particular matter. Generally, the prohibitions only address particular matters involving specific parties. Thus, where a former employee's prior involvement was limited to the design of a program policy, general rulemaking, or technical concepts, he or she is not restricted from later participating in any specific matters which may involve this prior work.

It is also important to remember the kinds of post-employment activities that are prohibited by the Act. In varying degrees, the Act only prohibits former employees from representing or appearing before the federal government. Thus, even if a former employee is barred from personally representing a contractor in communications with the

Department, the Act does not prohibit the former employee from nonrepresentational activities so long as the former employee does not personally appear before the government.

Senator Andrews: What changes are you proposing or contemplating in DOT's conflict of interest policy?

Response: Because the Department's policy is derived from the Ethics in Government Act, no major changes are anticipated at this time. We are in the process, however, of drafting explanatory guidance concerning this policy. We expect that this guidance will be included in the Department's proposed general regulations concerning ethics and conflicts of interest.

Senator Andrews: During the last two years, have any persons who have been involved as principals in major procurements been sub-sequently hired or otherwise reimbursed by procurement contract recipients? Provide specific detail for the record. Reconcile any such cases with your conflict of interest policy.

Response: The individuals identified below have been involved in major DOT procurements and have subsequently been hired by the contract recipients. Specific details are provided below:

Mr. David S. Gedney
Contractor: DeLeuw Cather/Parsons
Contract No: DOT-FR-76048
Contract Amount: $547,078,556
Award Date: October 26, 1976
Description of Contract: A/E Services for systems engineering program management, design, construction supervision, inspection, administration, procurement of long lead items and related services for the Northeast Corridor (NEC) Improvement Program. David S. Gedney served as a member of the NEC Architect-Engineering Evaluation Board and as Director, Office of Engineering.

Mr. Gedney left the FRA Project Office on October 17, 1980 to accept a position as Director of Foreign Construction Projects for Deleuw, Cather International and is presently employed with this firm. In this capacity, Mr. Gedney has no relationship or involvement in the Northeast Corridor Improvement contract.

Capt. Kenneth Forslund, USCG
Contractor: Takoma Boat
Contract No: CG-72509-A
Contract Amount: $110,207,245
Award Date: 12/30/77
Description: 270' cutter
Contract No: CG-61955-A
Contract Amount: $31,780,951
Award Date: 11/5/76
Description: 140' cutter
Capt. Kenneth Forslund served as the Assistant Chief of Naval Engineering from 1975 to 1978. From 1978 to his retirement on July 3, 1979, he served as the Chief of Naval Engineering.

Capt. Forslund supervised the resident Coast Guard inspector who was located at Takoma Boat. He also served as the Chairman of the contract pre-award survey team. Prior to his retirement, Capt. Forslund was removed from all involvement on the procurement for nine additional 270' cutters when his impending employment with Takoma Board became known. Extensive correspondence is available in the Coast Guard files concerning resolution of the conflict of interest issue. Capt. Forslund's employment with Takoma was terminated after approximately six months; however, it was determined that a conflict of interest did not exist.

Ms. Florence Mastercola
Contractor: National Railroad Passenger Corp. (AMTRAK)
Contract No. DOT-FR-T-3003
Contract Amount: $1,422,463,991
Award Date: August 29, 1976
Description of Contract: Personnel, equipment, facilities, materials and other services required to perform construction for the Northeast Corridor Improvement Program.

Ms. Mastercola served as a Contracting Officer for the Federal Railroad Administration (FRA). She left the FRA Procurement Office on July 15, 1979, to accept a position with Amtrak. Ms. Mastercola administers service contracts for Amtrak, but cannot sign any contractual documents. She also serves as head of policy/procedures.

The following letter, dated September 11, 1979, was sent to Ms. Mastercola by our Assistant Chief Counsel regarding the federal conflict of interest laws in any assignments given to her by Amtrak.

11 SEP

Ms. Florence Mastercola
Senior Contracts Administrator
National Rail Passenger Corporation
1617 John F. Kennedy Boulevard
Philadelphia, Pennsylvania 19103

Dear Ms. Mastercola:

It has been brought to our attention that you have been assigned to review NECIP subcontract files compiled by Amtrak buying personnel. Pursuant to this review, you have been instructed, in cases where FRA approval is required before subcontract award, to "interface" with FRA regarding file deficiencies and irregularities.

We are concerned that you do not breach the federal conflict of interest laws concerning post-government employment as embodied in 18 U.S.C. §207 (Effective July 1, 1979, this statute was revised to impose even more stringent standards, but the revisions are not applicable in your case since you left FRA before that date). The duties described above bring you extremely close to, and in one case clearly over the boundaries drawn by that statute. Your potential "interfacing" with FRA personnel would be a clear violation of the statute; we must, therefore, object to your performance of any such duty. If you are unsure of the range of the statute or the consequences of its violation we refer you back to our memorandum of December 20, 1978, dealing with those issues. Should you be unable to apply the analysis set forth in the memorandum to your newly designated duties, we recommend that you consult with Amtrak counsel for further guidance.

You should be aware that while you are employed by Amtrak in connection with NECIP procurement, you will be in danger of violating the conflict of interest provisions. Therefore, it is your continuing duty to examine closely any assignments given you in that regard.

Sincerely,

S. Mark Lindsey
Assistant Chief Counsel
Intercity Passenger Programs Division

CONSULTANTS

Senator Andrews: What is your general policy regarding the use of consultants? Are any formal criteria used in deciding whether to use in-house expertise or outside contractors? Are such determinations routinely reviewed by OST on a department-wide basis?

Response: The Department's policy for the use of consultants is set forth in DOT Order 4200.15, "Criteria and Guidelines For The Use of Consulting Services." The policy is consistent with that set forth in OMB Circular A-120. Prior to the award of any proposed contract for consultant services, the initiating office must obtain approval of the appropriate DOT official. The Head of the Operating Administration is the approving official for proposed consultant service awards between $50,000 and $100,000. The Assistant Secretary for Administration is the approving official for those estimated to exceed $100,000. In the fourth quarter of the fiscal year, the Assistant Secretary for Administration approves all actions over $50,000 under this procedure. A justification is sent to the approving official that includes answers to a structured set of questions including reasons why the work cannot be conducted by DOT or other Government personnel, and an explanation of why the existing facilities of the Department are inadequate to furnish the services. In addition, concurrence must be obtained from the sponsoring activity's Director of Personnel, or his designee, to insure that the procurement does not violate 5 USC 3109.

The Assistant Secretary for Administration and the Inspector General receive copies of the approved written justifications for entering into consultant contracts. The Assistant Secretary for Administration is designated as having the overall responsibility for monitoring the use of consultant services in the Department.

Senator Andrews: What is the total amount requested in DOT's fiscal 1982 budget for the use of consultants and how does that compare with last year?

Response: The 1981 DOT Appropriation Act includes general provision 323(b) which requires the Department to submit annually to the Congress the estimated amount of funds requested for Consultant Services. In the past, these services have not been included as a line item in budget justifications. Procedures are being established to adequately provide for collection of this data.

The total amount requested in the Department's fiscal year 1982 budget for "Consultant Services" is $1.4 million, and $1.7 million in fiscal year 1981.

Senator Andrews: What actions are you taking to reduce consultant expenses?

Response: The Department requires that the initiating office provide the appropriate Departmental official a justification for the award of a consultant services contract which documents the need for the consulting service, assesses the capability to provide the proposed service in-house, and relates the proposed effort to previous work. The approving official, either the Head of the Operating Administration or the Assistant Secretary for Administration for proposed actions over $50,000, should have adequate information to make a decision on whether to approve these proposed consultant contracts. We believe that these requirements will restrict the use of consulting services in the Department to the minimum necessary to carry out the Department's responsibilities.

PUBLIC PARTICIPATION

Senator Andrews: What is the total amount DOT is requesting for reimbursement of participants in DOT's rulemaking process? How does this compare with last year? What categories of individuals and groups took advantage of the program last year and for what types of rulemaking subjects?

Response: The Department is not requesting any funds in FY '82 to reimburse participants in DOT's rulemaking process. The Department's National Highway Traffic Safety Administration did conduct such a program from 1977 to 1979, and approximately $81,000 was expended in 1980 to pay for obligations incurred for 1979 rulemaking proceedings. However, Congress eliminated this program in DOT's 1980 and 1981 appropriations acts. At the present time, the Department does not intend to reinstate such a program.

Senator Andrews: What is the total DOT travel budget for fiscal 1982, and how does that compare with fiscal 1981, 1980, and 1979? Provide breakdown by administration.

DEPARTMENT OF TRANSPORTATION
TRAVEL AND TRANSPORTATION OF PERSONS (OBJECT CLASS 21.0)
($ in thousands)

	FY 1979	FY 1980	FY 1981	FY 1982
Office of the Secretary	$ 933	$ 931	$ 1,013	$ 1,135
U. S. Coast Guard	37,251	36,890	43,928	41,161
Federal Aviation Administration	53,259	48,473	53,813	60,005
Federal Highway Administration	7,468	6,914	8,069	8,150
National Highway Traffic Safety Administration	988	920	916	916
Federal Railroad Administration	2,688	2,902	2,733	2,789
Urban Mass Transportation Administration	859	717	880	899
St. Lawrence Seaway Development Corporation	96	116	175	200
Research and Special Programs Administration	1,295	1,443	1,470	1,696
Office of Inspector General	376	823	1,255	1,391
TOTAL	$105,213	$100,129	$114,252	$118,342

Senator Andrews: What has been the impact of inflation on your travel budget and what actions have you taken to curtail Domestic and International travel? Do you maintain records distinguishing between various categories of travel expneses, such as regulatory enforcement, training, liaison, and so forth?

Response: The maximum per diem rate allowed was recently increased from $50 to $75 per day. This has reduced the number of trips that can be taken within available funds. The impact of increases by domestic air carriers has not been as great because of contracts entered into by GSA with certificated air carriers to furnish air transportation at reduced rates between selected city pairs.

In an effort to curtail travel, the Secretary and Deputy Secretary jointly sent a memo to Departmental Officers and Heads of Operating Administrations on February 13, 1981, directing the elimination of administrative travel. Emphasis was placed on eliminating travel to meetings, conferences, and symposia outside the employee's normal commuting area; management and general training travel; and general surveillance, familiarization visits, and staff meeting travel. The memo raised the authorization level to that of the Secretary and Deputy Secretary with some minor exceptions available to key Departmental officials reporting directly to the Secretary. The same February 13, 1981 memo limited program operations and mission accomplishment travel to that which is clearly necessary and cannot be achieved effectively in any other way.

International travel in the office of the Secretary is controlled through review by each Assistant Secretary and the General Counsel. This includes the review of the purpose and justification of need for each trip with final approval by the Deputy Secretary. A second form of control is the requirement that the State Department approve travel of delegates to international meetings and conferences. There has been a significant reduction in the number of delegates that the State Department will approve for international meetings.

We do not maintain records distinguishing between the categories you mentioned; however, we maintain records on Travel for Regular Program Functions, Travel for Training, Rental of GSA and Commercial Vehicles, Overseas Travel for International Conferences and Meetings and Overseas Travel for Other Official Purposes.

GRANTS AND LOANS

Senator Andrews: Please provide for the record a tabular breakdown of each of the Department of Transportation's grant programs showing for each the purpose, terms, categories of eligibility, period of availability, category of recipient, and amounts requested for fiscal 1981 and 1982.

The information follows

GRANTS-IN-AID

State and Community Highway Safety Program

PURPOSE: To provide both technical guidance and grants to the States and their political subdivisions for the development of highway safety programs designed to reduce traffic accidents and the resulting deaths, injuries, and property damage.

TERMS: 75 percent apportioned on total resident population: 25 percent apportioned against public road mileage in states. Federal share shall not exceed 75 percent or applicable sliding scale. Federal Revenue Sharing Funds may be used as matching funds.

Federal share is reimbursed on claims submitted in monthly vouchers covering costs incurred. Some participants have converted to the Letter of Credit method.

CATEGORIES OF ELIGIBILITY: For FY 1982 legislation has been submitted which will restrict the States and other recipients to using the grants in four areas: alcohol programs, police traffic services, emergency medical services, and traffic records. In addition, the Secretary of Transportation would have authority, under the proposed legislation, to declare other areas eligible for funding that would be effective in reducing deaths and injuries.

PERIOD OF AVAILABILITY: Grant funds are available for obligations for a total of four years.

CATEGORY OF RECIPIENTS: States, federally recognized Indian tribes, the District of Columbia, American Samoa, Guam, the Virgin Islands and Puerto Rico.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$188,905,000	$77,000,000

Federal-Aid Highways

PURPOSE: The Federal-Aid Highways program provides grants to the States for construction or reconstruction of certain designated highway systems: Interstate, primary, secondary, and urban. Grants are also provided for rehabilitation or replacement of highway bridges, highway safety projects, emergency relief for disaster damage, planning, engineering, and research.

TERMS: State Transportation or Highway Departments are eligible to apply for obligation of Federal funds, and later partial reimbursement of their expenses, for highway construction and related activities. The Federal share of project cost ranges from 75 percent to 90 percent dependent upon the program category. For most program categories, the funds authorized are divided annually among the States by formula established in the highway law (23 U.S.C.). Funds are available for obligation prior to appropriation since program authorizations are contract authority.

CATEGORIES OF ELIGIBILITY: Program categories with funds authorized for 1982 are:

- -- Interstate System
- -- Interstate 3R (Resurfacing, Restoring, Rehabilitating)
- -- Primary System
- -- Secondary System
- -- Urban System
- -- Forest Highways
- -- Public Lands Highways

- -- Econ. Growth Center Highways
- -- Emergency Relief
- -- Bridge Replacement and Rehabilitation
- -- Hazard Elimination
- -- Railroad-Highway Crossings

PERIOD OF AVAILABILITY: Grant funds are available for obligation for a total of four years.

CATEGORY OF RECIPIENT: State Transportation or Highway Departments.

AMOUNTS REQUESTED: Program spending is controlled by obligation limitations normally enacted in the Department's annual appropriations acts. The emergency relief program is exempt from the limitations.

	1981	1982
Limitation	$8,750M	$8,150M
Exempt Program	200M	150M
Total Obligations	$8,950M	$8,300M

Interstate Transfer Grants-Highways

PURPOSE: The Interstate Transfer Grants-Highways provides grants to the States for construction of highway projects substituted for Interstate System routes withdrawn from the system under the provisions of 23 U.S.C. 103(e)(4).

TERMS: State Transportation or Highway Departments are eligible to apply for obligation of Federal funds, and later partial reimbursement of their expenses for construction of substitute highways. The substitute projects must serve the urbanized area from which the Interstate route was withdrawn. The Federal share of project cost is 85 percent. Authorizations are equal to the value of the withdrawn route, escalated for inflation. Availability of funds is subject to appropriations action.

CATEGORIES OF ELIGIBILITY: Substitute Highway projects in the urbanized area of the withdrawal, and on the Primary, Urban, or Secondary System are eligible for these grant funds.

PERIOD OF AVAILABILITY: Funds are available until expended.

CATEGORY OF RECIPIENT: State Transportation or Highway Departments, acting with local officials of the urbanized areas of the withdrawals.

AMOUNTS REQUESTED: In 1981, these grants were merged with similar funds available for transit in the Urban Mass Transportation Administration. In 1982, the Administration's highway legislation includes a proposal to draw highway substitutes from the Highway Trust Fund.

1981	1982
($182M)	$200M

Appalachian Highway System

PURPOSE: The Appalachian Highway program provides grants to the 13 Appalachian States for improving highway access to Appalachia through construction of the Appalachian Development Highway System.

TERMS: State Transportation or Highway Departments are eligible to apply for obligation of Federal funds, and later partial reimbursement of their expenses, for highway construction. The Federal share of project cost is 80 percent. Availability of funds is subject to appropriations action.

CATEGORIES OF ELIGIBILITY: Highway projects in the 13 Appalachian States and on the Appalachian Development Highway System are eligible for these grant funds.

PERIOD OF AVAILABILITY: Funds are available until expended.

CATEGORY OF RECIPIENT: State Transportation or Highway Departments.

AMOUNTS REQUESTED: In 1981, these grants were appropriated to the Appalachian Regional Commission. In 1982, the Administration's highway legislation includes a proposal to draw these grants from the Highway Trust Fund and transfer the program to the Federal Highway Administration.

1981	1982
$215M	$215M

Urban Mass Transportation Discretionary Grant on Loan Program

PURPOSE: The purpose of this program is to assist State and local public agencies in providing adequate mass transportation; encouraging the application of new technology; and promoting transit improvement programs that are consistent with regional goals and objectives. Federal funds are granted or loaned to assist public agencies in the acquisition, construction and improvement of facilities and equipment for use in mass transportation service in urban areas.

CATEGORY OF RECIPIENT: Any mass transportation operation which serves an urbanized area if eligible to receive formula grants, consistent with the local programming of funds, through one or more recipient agencies designated for each urbanized area.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$1,455,000,000	$1,480,000,000

Non-Urbanized Areas Formula Grants

PURPOSE: This program offers Federal financial assistance for public transportation in rural and small urban areas. Funds may be used for operating and capital assistance.

TERMS: The Federal share for capital projects is 80 percent of net project cost while the Federal share for operating assistance is 50 percent of net operating cost. One-half of the local share for both capital and operating expenses must be provided in money from sources other than Federal funds. The other half may be made up of unrestricted funds from other Federal programs.

CATEGORIES OF ELIGIBILITY: Eligible facilities and equipment include land, buses, other rolling stock and other real and personal property needed to provide efficient and coordinated public transportation in rural or small urban areas. An operating assistance project represents the eligible operating expenses incurred or projected during a local fiscal year by a public transportation operation or system serving a rural or small urban area. Projects must provide for the maximum feasible coordination of public transportation services assisted under this section with other transportation services.

PERIOD OF AVAILABILITY: Funds will be annually apportioned to the States. Sums apportioned shall be available for obligation by the Governor or designated recipient for a period of three years following the close of the fiscal year for which sums are apportioned, and amounts remaining unobligated at the end of such period shall be apportioned among the States for the succeeding fiscal year.

CATEGORY OF RECIPIENTS: Eligible recipients may include State agencies, local public bodies and agencies thereof, nonprofit organizations and operators of public transportation services in rural and small urban areas. Urbanized areas, as defined by the Bureau of the Census, are not eligible.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$72,500,000	$75,000,000

Interstate Transfer Grants--Transit

PURPOSE: The Interstate Transfer Program funds transit substitute projects in place of planned Interstate highway segments which have been withdrawn by State and local officials.

TERMS: The Federal share for selected substitute projects is up to 85 percent of the project cost. Projects are selected for funding subject to the availability of annual appropriations.

TERMS: This program is authorized by Section 3 of the Urban Mass Transportation Act of 1964, as amended. While only public agencies are eligible to apply for and receive Federal funds, private transportation companies may participate through contractual arrangements with public agencies. The Federal share of project costs for approved grants is 80 percent. The interest rate charged on loans is based upon the cost of capital to the U. S. Treasury.

CATEGORIES OF ELIGIBILITY: Eligible facilities and equipment include but are not limited to land, buses and other rolling stock, fixed guideways systems and extensions of existing systems, modernization of existing mass transit facilities and equipment, and introduction of new technology into public transportation services.

PERIOD OF AVAILABILITY: Terms and conditions are contractually agreed on between UMTA and the applicant.

CATEGORY OF RECIPIENT: Public agencies.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$2,190,000,000	$1,515,000,000

Urban Mass Transportation Capital and Operating Assistance Formula Grants

PURPOSE: This program provides formula grants for transit capital and operating assistance to support the continuation and improvement of mass transportation services in urbanized areas.

TERMS: The Federal grant for any capital project shall not exceed 80 percent of the cost of the project. The Federal grant for any project for the payment of subsidies for operating expenses shall not exceed 50 percent of the operating expense.

CATEGORIES OF ELIGIBILITY: The Surface Transportation Assistance Act of 1978 established four distinct tiers for the Section 5 program. Tiers 1 and 2 constitute the basic program and may be used for both capital and operating assistance. These funds are apportioned to all urbanized areas on the basis of population and population density. The third tier provdies for the purchase of buses, bus-related equipment and the construction of bus-related facilities. The fourth tier provides funding for commuter rail/fixed guideway projects. Funds under the Section 5 program are apportioned directly to urbanized areas over 200,000 in population and to the Governor of each State for areas under 200,000. Available funds are programmed at local discretion for eligible capital (80% Federal share) and operating (50% Federal share) assistance projects.

PERIOD OF AVAILABILITY: Sums apportioned under the formula grant program are available for obligation by the Governor or designated recipient for a period of three years following the close of the fiscal year for which such sums are apportioned.

CATEGORIES OF ELIGIBILITY: Transit projects include any undertaking to develop, improve, or purchase public mass transit facilities or equipment (with the exception of operating assistance), such as the construction of fixed rail facilities and purchase of bus and rail rolling stock, and other transportation equipment.

PERIOD OF AVAILABILITY: Terms and conditions are contractually agreed upon between UMTA and the recipient.

CATEGORY OF RECIPIENT: The withdrawal request is a joint submittal of the Governor and local governments within those jurisdiction the Interstate segment would have been located.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$618,000,000	$600,000,000

Research and Training Grants

PURPOSE: To develop, test, and demonstrate new facilities, equipment, techniques, and methods (operations and managerial), and improve mass transportation services; grants to public bodies to provide for advanced training for personnel in the mass transportation field; and grants to public and private, nonprofit institutions to assist in establishing or continuing programs which combine professional training and research in the field of mass transportation.

TERMS: Project grants.

CATEGORIES OF ELIGIBILITY:

Mass Transportation Technology--For development of systems to carry people and goods within metropolitan areas speedily, safely, with minimum pollution of the air, with minimum consumption of fuel and in a manner that will contribute to sound city planning. Projects must be based on a formal experimental design which measures results against objectives. The expected results of a research development, or demonstration project must have widespread applicability. This program is considered suitable for joint funding with closely related Federal financial assistance programs in accordance with the provisions of OMB Circular No. A-111.

Managerial Training Grants--The State, local body, or agency receiving a grant under this section shall select persons for fellowships on the basis of demonstrated ability and the potential contribution in the field of efficient mass transportation operation. Fellowships are funded for not more than one year. Not more than 100 fellowships will be awarded in any one year. Funding may also be used for attendance at transportation short courses. Not more than 12.5 percent of the fellowships shall be awarded to any one State per year.

University Research and Training--To conduct competent and qualified research and investigations into the theoretical and practical problems of urban transportation, and to provide for the training of persons to carry on further research or to obtain employment in private or public organizations which plan, construct, operate, or manage urban transportation systems.

PERIOD OF AVAILABILITY: Varies

CATEGORY OF RECIPIENT: University Research and Training--Public and private nonprofit institutions of higher learning. Managerial Training--Public bodies may apply for their employees or those of urban transit companies operating in their areas. Mass Transportation Technology: Grant or contract to public or private organizations, including working agreements with other Federal agencies.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$65,500,000	$70,000,000

Natural Gas Pipeline Safety Grant-in-Aid Program

PURPOSE: To encourage continued cooperation by State governments in establishing and enforcing the Federal gas pipeline safety standards over intrastate systems, thereby relieving the Federal Government of what would be an insurmountable enforcement burden.

TERMS: The grant-in-aid program allows qualifying States to apply to the Department for reimbursement of up to 50 percent of their expenditures for gas pipeline safety programs, including staff salaries, travel, equipment, and training costs. The Department allocates monies to States which qualify, and assures that participating States fulfill the requirements set forth under Sections 5(a) and 5(b) of the Natural Gas Pipeline Safety Act of 1968.

CATEGORIES OF ELIGIBILITY: Under Section 5 of the Natural Gas Pipeline Safety Act, States may participate in the Federal gas pipeline safety program by filing a certification under Section 5(a) or entering into an agreement under Section 5(b). States certifying under 5(a) assume regulatory and enforcement authority over intrastate gas facilities. To qualify, a State must have adopted regulations at least as stringent as the Federal standards and must provide for enforcement authority for those standards by injunctive and monetary sanctions substantially the same as those authorized by Sections 9 and 10 of the Act.

State agencies that do not meet the criteria for a 5(a) certification may enter into a 5(b) agreement to undertake certain aspects of the gas pipeline safety program for intrastate facilities on behalf of the Department. Under a Section 5(b) agreement, State agencies conduct operator surveillance to ascertain compliance with the Federal regulations. Probable violations are reported to MTB for Federal enforcement action.

Sections 5(a) and 5(b) States applying for grant assistance receive equal consideration in the allocation of available funds.

PERIOD OF AVAILABILITY: Funds are available until expended but made available to the States for one calendar year. Any unobligated funds are redistributed to the States in the following calendar year program.

CATEGORY OF RECIPIENT: State governments.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$3,082,000	$3,618,000

Airport Grants

PURPOSE: To provide assistance in the development of a nationwide system of public airports adequate to meet the current and projected growth of civil aviation. Under pending legislation proposed by the Administration (H.R. 2930), the program would gradually exclude 41 of the Nation's largest airports, and allow them to levy "head taxes" as the source of their development resources.

TERMS: About two-thirds of grant funds are provided as entitlements and the remaining third largely at the discretion of the Secretary (delegated to the FAA Administrator). Entitlements determined for primary airports by historical enplanements; and for block grants to states by area/population served, plus $250 thousand for each commercial service airport (other than primary airports) within a State's borders. The Federal share is up to 75 percent.

CATEGORIES OF ELIGIBILITY: Planning, construction, and land acquisition for safety, capacity and noise control purposes.

PERIOD OF AVAILABILITY: For primary airports, three years; for block grants, two years.

CATEGORY OF RECIPIENTS: Publicly owned airports within the several States and territories, except that certain privately owned reliever airports may participate through States' block grants.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$450,000,000	$450,000,000

Grants to the National Railroad Passenger Corporation

PURPOSE: The National Railroad Passenger Corporation (Amtrak) has been provided Federal assistance through the Department of Transportation since Amtrak's inception in May 1971 to support a national rail passenger system. This assistance is in the form of grants for capital improvements, operating subsidies, cost-sharing for intrastate rail services, and funds for labor protection costs associated with the discontinuance of rail passenger service.

TERMS: The grant program to Amtrak provides for the payment of operating expenses for the basic system, and for operating and capital expenses of rail passenger service provided pursuant to Section 403(b) of the Rail Passenger Service Act. The program also provides for the payment of the costs of capital acquisitions and improvements. The Department also provides funds to assist Amtrak in the provision of arrangements to protect the interests of employees affected by a discontinuance of intercity rail passenger service as covered in Section 405 of the Rail Passenger Service Act.

CATEGORIES OF ELIGIBILITY: Under Section 601 of the Rail Passenger Service Act, the Office of the Secretary is authorized to request appropriations for the payment of operating expenses for the basic system and for the payment of the costs of capital acquisitions or improvements. Any State, regional or local agency may request Amtrak service beyond that included within the basic system. Amtrak shall institute such service under an agreement if the agency agrees to reimburse Amtrak for 50 percent of solely related costs and associated capital costs of such service if service can be provided with the resources available to Amtrak and if it is consistent with the following requirements:

a. The State or agency must make an adequate assurance to Amtrak that it has sufficient resources to meet its share of the costs of such service for the period such service is to be provided.

b. The State or agency has conducted a market analysis acceptable to Amtrak to insure that there is adequate demand to warrant the service.

PERIOD OF AVAILABILITY: Available until expended.

CATEGORY OF RECIPIENT: Private corporation, subsidized by the Federal Government.

AMOUNTS REQUESTED:	FY 1981	FY 1982
Operating Grants	$650,000	$480,000
Capital Grants & Labor	250,000	125,000
Sec. 403(b) Routes	23,000	8,000
	$923,000	$613,000

Local Rail Service Assistance Program

PURPOSE: To provide financial assistance to States for (1) rail planning, (2) operating subsidy of up to three years on abandoned lines, (3) acquisition of abandoned lines, (4) capital investments for substitute service, (5) rehabilitation of non-abandoned lines and (6) construction of new connections, intermodal terminals, sidings, and relocation projects.

TERMS: States may apply to the Department for 80 percent of program costs for all purposes (except 70% for the third year of operating subsidies). For projects on non-abandoned lines, States may grant or loan the funds to the railroad.

CATEGORIES OF ELIGIBILITY: A State is eligible if it has established a State Rail Plan for rail transportation as part of its overall transportation planning process. States are required to include a benefit/cost methodology for rehabilitation, acquisition, and new construction projects as part of the State rail planning process.

PERIOD OF AVAILABILITY: One calendar year.

CATEGORY OF RECIPIENT: State.

AMOUNTS REQUESTED:	FY 1981	FY 1982
Budget Authority	-0-	-0-

State Participation--A Rail Safety Grant-in-Aid Program

PURPOSE: To encourage continued cooperation by the State governments in establishing and enforcing the Federal safety standards over the interstate rail transportation system; to encourage State force strengthening, in lieu of Federal expansion.

TERMS: The grant-in-aid program allows qualifying States to apply to the Department for reimbursement of up to 50 percent of their expenditures for rail safety programs, including allowances for staff salaries, travel, equipment, and training costs. The Department allocates funds to States which qualify, and assures that participating States fulfill the requirements set forth under Section 206 of the Safety Act of 1970 and the Federal Railroad Administration's (FRA) State Participation Regulations, Part 212 of the Code of Regulations (CFR).

CATEGORIES OF ELIGIBILITY: Under prevailing regulation States may participate in the Federal rail safety program by filing an application for certification or entering into an agreement. Certified States assume significant regulatory and enforcement authority. To qualify, a State must retain qualified inspectors or qualifiable candidates, apply FRA Federal rail safety standards and must have enforcement authority. States agree to coordinate safety inspection and surveillance monitoring activity within the framework of FRA's prioritized planning for the achievement of national program goals and objectives.

PERIOD OF AVAILABILITY: One calendar year.

CATEGORY OF RECIPIENTS: State governments.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$2,000,000	-0-

Senator Andrews: Please provide a similar tabular breakdown for each of DOT's loan programs.

(The information follows)

DOT EQUITY, LOAN & LOAN GUARANTEE PROGRAMS

Federal Aviation Administration

Aircraft Purchase Loan Guarantee Program

PURPOSE: Provides guaranty of private loans to certain air carriers for the purchase of modern aircraft and equipment when financing is determined to be not otherwise available on reasonable terms. Governing legislation provides no total limitation, but recent Appropriations Acts have limited the size of the program by placing an annual ceiling on total new commitments.

TERMS: Guarantees 90 percent of loan and accepts the subject equipment as collateral. Law provides that no single borrower may receive guarantees in excess of $100 million.

CATEGORIES OF ELIGIBILITY: Various types of carriers now eligible, but Administration's proposed legislation would limit the Secretary's authority to guarantee loans only with respect to the purchase of aircraft by persons using relatively small planes. The specifics of the size clearly focus the program benefits to "commuter" type airlines serving small communities where service by larger carriers has been withdrawn or lessened.

PERIOD OF AVAILABILITY: Guarantees are governed by annual limitations, and the authority to engage in new commitments expires in FY 1983.

AMOUNTS REQUESTED:	FY 1981	FY 1982
(Limitation)	$300,000,000*	$100,000,000

* FY 1981 Appropriations Act limitation includes an exemption from the limitation which applies to between $75 million and $100 million of potential borrowers.

Federal Railroad Administration

Redeemable Preference Shares

STATUTE: Section 505 of the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) as modified by the Milwaukee Railroad Restructuring Act, the Rock Island Transition and Employee Assistance Act, and the Staggers Rail Act of 1980.

PURPOSE: For rail facilities maintenance, rehabilitation, improvements and acquisitions, and for such other financial assistance as may be approved by the Administrator.

TERMS: The terms of the preference shares include:

- -- Six to 11 year moratorium on repayments.
- -- An 11 year moratorium on dividend payments.
- -- A minimum term of 21 years and a maximum term of 30 years.
- -- A minimum return to the Government (including principal repayment) of 150 percent of the par value of the shares; such a return being equal to an effective annual yield from date of issuance of 2.03

percent. This assumes a term of 30 years with redemption and interest payments both commencing on the 11th anniversary date.

- -- A maximum yield to the Government on shares issued to reduce deferred maintenance equal to the applicant's rate of return on total capital for the three years preceding the filing of the application.
- -- When proceeds are used for other projects, such as the upgrading of facilities, it is FRA's policy to make funding available at the cost of money to the Government, except where the public benefits of a project clearly warrant a lower yield.

CATEGORIES OF ELIGIBILITY: Section 505 authorizes Federal assistance to railroads through the purchase by the FRA Administratior of redeemable preference shares to be issued by the railroads (or, in the case of bankrupt railroads, by the purchase of trustee certificates, and in the case of governments and non-carriers, through redeemable preference shares or debt instruments).

At least five percent of available funds are reserved for the purchase or rehabilitation of feeder lines by financially responsible persons. Up to 20 percent of available funds may be extended to employee and employee-shipper ownership groups to fund the purchase or rehabilitation of railroad lines. Limited funds are also available to non-carrier entities for the purchase of Milwaukee properties and rail-banking in Montana of former Milwaukee lines (no more than $27 million) and the purchase, lease or rehabilitation of Rock Island properties (no less than $38 million) for common carrier rail service. In addition, not more than $15 million of available funds may be made available for directed service over Rock Island and Milwaukee lines.

PERIOD OF AVAILABILITY: Program terminates on September 30, 1982, unless extended by further legislation.

CATEGORY OF RECIPIENTS: Railroads, trustees of bankrupt railroads, non-carrier entities, financially responsible persons, employee and employee-shipper groups.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$25 million BA enacted $50 million supplemental	$110 million BA

Section 511 Loan Guarantee Program

PURPOSE: Acquire or rehabilitate and improve railroad facilities or equipment, or develop new railroad facilities.

TERMS: Under Section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) as amended, no obligation can be guaranteed unless:

- -- An obligation for equipment acquisition, rehabilitation or improvement is secured.
- -- The term of the obligation does not exceed 25 years.
- -- The financing or refinancing is justified by the demand for the applicant's rail services.
- -- The applicant has given reasonable assurances that the facilities or equipment will be economically and efficiently utilized.

- -- The prospective earning power is sufficient to provide the United States with reasonable security.
- -- The transaction will result in an improvement in service.
- -- The terms and conditions of the loan guarantee obligate the applicant to maintain its facilities and restrict payment of discretionary dividends and use of any funds or assets from railroad operations for nonrail purposes.

CATEFORIES OF ELIGIBILITY: The Act requires that the applicant be a railroad or that the railroad(s) directly affected by the obligation join in the application or enter into side agreements with the applicant.

PERIOD OF AVAILABILITY: No date specified in statute.

CATEGORY OF RECIPIENTS: Railroads

AMOUNTS REQUESTED:	FY 1981	FY 1982
(Guarantee Authority)	$170 million	$100 million

Venture Capital for Minority Business Enterprise

PURPOSE: To provide financial assistance to minority and women-owned firms which are in need of debt and equity capital.

TERMS: FRA purchases stock in individual Minority Enterprise Small Business Investment Companies (MESBICs) which are private, for profit business investment companies. MESBICs must demonstrate an ability to package deals which are rail related. Financing agreements are negotiated with individual MESBICs.

CATEGORIES OF ELIGIBILITY: Under Section 906 of the 1976 Railroad Revitalization and Regulatory Reform Act, FRA has the authority to establish and implement financing mechanisms to provide venture capital and investment assistance to qualified minority and women-owned firms. The financial assistance mechanism that FRA has chosen is the Small Business Administration's 301(d) licensee program.

PERIOD OF AVAILABILITY: Five years.

CATEGORY OF RECIPIENTS: Certified 301(d) licensees.

AMOUNTS REQUESTED:	FY 1981	FY 1982
	$3,000,000	$3,000,000

Emergency Rail Service Act of 1970

PURPOSE: To provide working capital for continuation of essential transportation services.

TERMS: The outstanding aggregate principal amount of all certificates guaranteed can not exceed $200 million at any one time. The certificates bear interest at a rate the Secretary deems reasonable, have a maturity not to exceed 15 years, and are treated as an expense of administration having highest lien on the railroad's property.

CATEGORIES OF ELIGIBILITY: Under the ERSA the Secretary must make written findings before a guarantee can be approved: (1) cessation of essential transportation services by the railroad would endanger the public welfare; (2) there is no practical means of obtaining funds to meet operating expenses; (3) cessation of such service is imminent; (4) such certificates cannot be sold without a guarantee; (5) the railroad can reasonably be expected to become self-sustaining (be reorganized); and (6) the probable value of the assets of the railroad in the event of liquidation provides reasonable protection to the United States.

The statute requires as conditions of guarantees of certificates by the Secretary that: (1) the proceeds of the sale of certificates will be used for meeting operating expenses; (2) other revenues of the railroad will be used to the fullest extent possible for such expenses; (3) proceeds from the sale of assets will be devoted to the fullest possible to the provision of essential transportation service by the railroad, and (5) in the event of actual or threatened cessation of essential transportation services by the railroad, the Secretary shall have the option to procure by purchase or lease trackage rights over the lines of the railroad and such equipment as may be necessary to provide such services by the Secretary.

PERIOD OF AVAILABILITY: No date specified in statute.

CATEGORY OF RECIPIENTS: Railroads

AMOUNTS REQUESTED:	FY 1981	FY 1982
	-0-	-0-

Guarantee of Loans to the National Railroad Passenger Corporation

PURPOSE: TO guarantee any lendor or lessor against the loss of principal and interest, or other contractual commitments, including rentals, on securities, obligations, leases or loans (including refinancing of loans) issued by the National Railroad Passenger Corporation (Amtrak).

TERMS: The Secretary of Transportation is authorized, with the approval of the Secretary of the Treasury, to guarantee up to $825 million. The maturity date or term of such securities, obligations, leases, or loans, including all extensions and renewals thereof, shall not be later than 20 years from their date of issuance. All guarantees constitute general obligations of the United States of America backed by the full faith and credit of the Government of the United States of America. These guarantees shall not be terminated, cancelled or otherwise revoked. The Secretary shall prescribe and collect a reasonable annual guaranty fee.

CATEGORIES OF ELIGIBILITY: Any request made by Amtrak for the guarantee of a lease or loan pursuant to this section, which has been approved by the Board of Directors of Amtrak shall be approved by the Secretary, if the request falls within Amtrak's approved capital and budgetary guidelines.

PERIOD OF AVAILABILITY: Available until expended.

CATEGORY OF RECIPIENTS: Private corporation, subsidized by the Federal Government.

AMOUNTS REQUIRED:*	FY 1981	FY 1982
	($ in 000)	
Outstanding, Start of Year	$535,320	$770,505
Outstanding, End of Year	770,505	825,000

* In 1979 and 1980, this program provided for the systematic retirement of Amtrak's Section 602 loans, reducing the availability of guaranteed loans to $825 million. No funds were provided in 1981 and none are requested in 1982. However, alternative ways are being considered in which the debt can be retired.

Guarantee of United States Railway Association (USRA) Loans from the Federal Financing Bank (FFB)

PURPOSE: USRA utilizes the FFB loan proceeds to provide: (1) loans to railroads that connect with the bankrupt 3R Act railroads and are in need of financial assistance to avoid reorganization proceedings under the Bankruptcy Act Section 211(h) and (2) loans to Conrail, Amtrak and other railroads to which rail properties were transferred under the 3R Act to meet the obligations of the 3R Act bankrupts which USRA determines should be paid in order to avoid disruptions in ordinarly business relationships.

TERMS: USRA borrows from the FFB at current interest rates on marketable obligations of the United States with similar maturities plus 1/8 percent. USRA loans the funds to railroads under Section 211 (a) at an interest rate specified by the Treasury Department.

PERIOD OF AVAILABILITY: Unspecified.

CATEGORY OF RECIPIENTS: USRA.

FRAUD, WASTE AND ABUSE

Senator Andrews: Last year's Senate report addressed the need to control fraud, waste and abuse. What is the Department doing about this? Provide a catalogue of specific action taken.

Response: We believe the Department has made considerable progress in tracking and resolving audit findings, particularly those that concern the many grant programs where the bulk of dollars findings occur. The Department's Office of Inspector General (OIG) tracks all major findings and requires periodic reports from management on progress being made to correct identified problems.

In addition, the OIG, shortly after its establishment in 1979, started work on a Management Information System that envisioned efficient and effective planning coordination, review and reporting of audit work and audit follow-up activities. The system for tracking audit recommendations has been operational for sometime and has allowed the OIG to furnish data to Departmental Management on unresolved audit reports to assist in resolving audit findings. Information from the system will be included in the OIG's semiannual report to Congress for the period 10/1/80 to 3/31/81.

Finally, the Secretary has recently established a Cost Reduction and Efficiency in Department Programs Committee, consisting of representatives from his immediate office and other top DOT officials. The Committee is responsible for establishing a system for periodic reporting to the committee from the Department's organizations to ascertain the status of action being taken on unresolved audit findings and OIG and GAO recommendations.

YEAR-END SPENDING

Senator Andrews: Section 219 of the department's 1981 appropriations act limited obligations to 30% in the last quarter with waiver authority granted to OMB to assure avoidance of serious disruptions of programs and activities. What procedure has the department put in place to implement the provision?

Response: The Department has informed all of its operating administrations and their procurement offices of these restrictions and they are complying with them. I do not anticipate the need to obtain any exceptions from OMB.

LEGISLATION

Senator Andrews: Please submit for the record a summary of all your fiscal 1981 and 1982 requests which require legislative authorization, and indicate what the status of that legislation is.

(The information follows:)

DEPARTMENT OF TRANSPORTATION
FISCAL YEAR 1982 BUDGET
AUTHORIZING/PROPOSED LEGISLATION NEEDED
($ IN THOUSANDS)

Administration and Appropriation	1982 Amount Requiring Authorizing Legislation	Status of Authorizing Legislation as of 4/14/81
Authorizing Legislation		
U.S. Coast Guard		Coast Guard authorization legislation was transmitted to Congress 3/13/81. H.R. 2559)introduced 3/17/81); S. 831 (introduced 3/31/81).
Operating Expenses	$1,402,654	
Acquisition, Construction & Improvements	375,000	
Alteration of Bridges	17,500	
Research, Development, Test & Evaluation	29,720	
Reserve Training	38,492	Included in DOD legislation.
Federal Aviation Administration		Included in ADAP legislation transmitted to Congress 3/19/81. H.R. 2930 (introduced 3/31/81). Has not been introduced in the Senate.
Operations	1,950,000	
Grants-in-Aid for Airports	450,000	
Facilities and Equipment	323,690	
Research, Engineering & Development	104,810	
National Highway Traffic Safety Administration		Included in Highway legislation transmitted to Congress on 3/17/81. H.R. 3197 (introduced 4/9/81); S. 841 (introduced 3/31/81).
Operations and Research	51,266	

Administration and Appropriation	1982 Amount Requiring Authorizing Legislation	Status of Authorizing Legislation as of 4/14/81
Federal Highway Administration		
Federal-Aid Highways......................	463,667	Highway legislation was transmitted to Congress on 3/17/81. H.R. 3197 (introduced 4/9/81); S. 841 (introduced 3/31/81).
Interstate Transfer Grants-Highways......	200,000	
Federal Railroad Administration		
Grants to the National Railroad Passenger Corporation..................	447,000	Amtrak legislation was transmitted to Congress on 3/17/81. Has not been introduced.
Research & Special Programs Administration		
Research and Special Programs............	15,396	Hazardous materials & pipeline safety legislation was transmitted to Congress on 3/27/81. H.R. 2960 & H.R. 2961 (introduced 4/1/81. Have not been introduced in the Senate.
Proposed Legislation		
U.S. Coast Guard		
Retired Pay (for FY 1981, $-1,000)......	-9,000	Has not been transmitted to Congress.
Federal Aviation Administration		
Airport & Airway Revenue Act (Receipts)	2,290,900	Included in ADAP legislation transmitted to Congress 3/19/81. H.R. 2930 (introduced 3/31/81). Has not been introduced in the Senate.

UNIFORM INTRANSIT SECURITY

Senator Andrews: What is your view of the need for uniform security measures in transporting arms, ammunition, and explosives?

Response: Based upon the information developed under the Department's National Cargo Security Program, the imposition of uniform national requirements for security measures in transporting arms, ammunition, and explosives cannot be justified as reasonable, practicable, and cost-effective. Because of the diverse and site-specific nature of the associated problems, we believe the development of appropriate countermeasures is best left to carriers, shippers, and local government entities.

PLANNING IMPROVED URBAN TRANSPORTATION

Senator Andrews. What action are you taking to encourage urban areas to adopt planning processes that result in overall urban plans and include input from all groups or agencies that could contribute to the planning processes?

Response. The FHWA and UMTA first issued regulations for urban transportation planning on September 17, 1975. An update of these regulations was published in the Federal Register as a Final Rule on January 19, 1981. The effective date of the Final Rule has been delayed so that it can be reviewed to determine if it is cost-effective and does not overly intrude into decisionmaking by state and local governments.

The revision to the planning regulations is still underway. It is anticipated that more control over the contents and process of urban transportation planning will be given to State and local governments. Unnecessary requirements will be removed so that the process is less costly and cumbersome.

The regulations will still call for transportation plans coordinated with the orderly development of urban regions. They will encourage long- and short-range multimodal planning. They will stress the involvement of groups and agencies with responsibility and concern for urban transportation. And they will provide the flexibility for state and local governments to tailor the planning process to their own needs and objectives.

POLICY AND RESEARCH LINKAGE

Senator Andrews: In practical terms, how do OST's policy and research people relate to one another? What institutional mechanisms have been established to assure that these two vital functions operate in harmony?

Response. Responsibility for development of overall Departmental policies and assessment of their impacts on the public and private transportation sectors is vested in the Office of the Secretary - and rests primarily in the Office of the Assistant Secretary for Policy and International Affairs. This Office has a specific research appropriation and approximately 38 TPR&D positions staffed by specialists to provide quick response capability, to undertake mid-term planning, varied economic and financial analyses, and to support legislative development. This research appropriation is frequently supplemented by the Congress as special and critical transportation issues arise (such as the automotive industry financial crisis).

Because the research appropriation provides direct support for policy development and assessment, so-called "policy people" are often the "research people" (or vice versa), depending upon the nature of the issue and its priority. Available staff resources are utilized so as to provide the Secretary, the President and/or the Congress with timely and expert opinions and recommendations.

QUESTIONS SUBMITTED BY SENATOR CHILES

USE OF TPR&D FUNDS

Senator Chiles. The Department has requested $ 9,650,000 for Transportation, Research and Development to be funded within the Office of the Secretary. In view of the fact that the Department funds research programs in all modal administrations and has the Research and Special Programs Administration to fund by modal research, what is the need to have still another sub-activity funding research programs in the Department? If the Committee denied funding for Transportation Planning, Research and Development within the Office of the Secretary, why couldn't all essential research be funded by RSPA or by one of the modal administrations?

Response. Responsibility for development of overall Departmental policies and assessment of their impacts on the public and private transportation sectors is vested in the Office of the Secretary - and specifically in the Office of the Assistant Secretary for Policy and International Affairs. To support such policy development and assessment, the Secretary requires a specific research appropriation to undertake mid-term planning, varied economic and financial analyses, development of investment criteria and methodology, and support for legislative development. A quick response capability is also essential.

There are many transportation policy issues which cannot be delegated to one of the modal administrations to carry out the necessary analysis. These may be multimodal in nature, or require a broad perspective in the analysis (such as energy, user taxes, public investment criteria), or the issue is highly specialized (such as the auto industry financial crisis) for which no appropriate modal administration exists. The modal administrations, including RSPA, are used extensively through jointly funded research and technical coordination in order to maximize the use of all available Departmental resources for any given policy issue.

SIZE OF OST

Senator Chiles: The Department has requested funding for 1,151 positions for the Office of the Secretary. A number of employees in the Office of the Secretary have suggested informally to the Committee that the Office of the Secretary is overly large; that there are many individuals under-employed and with little meaningful work. In view of the fact that the Office of Management and Budget in the Executive Office of the President is able to carry on its Government-wide responsibilities with under 600 positions, why does the Department need in excess of 1,100 positions to manage its activities?

Response: I share your concern that in the past a number of employees in the Office of the Secretary may not have been fully employed. Certainly the potential for this situation has been reduced, if for no other reason than because in 1982, OST will have 82 fewer positions than in 1981. In the future, I do not expect to see the problem you described. We are presently examining the OST organization, its resources and functions. Wherever necessary, we will act to eliminate positions and increase productivity.

While I understand your concern, there is a perception about OST's size that should be clarified. The Office of the Secretary in DOT is large, even when compared to some other cabinet agencies. However, this is attributable to the Department's unique corporate structure which consolidates overall transportation policy and selected administrative support functions in the Office of the Secretary. For example, the Working Capital Fund which includes consolidated Departmental computer support, printing, graphics, libraries, etc., represents over 40 percent or 455 positions of OST's total of 1,151. We are certain that if other Departments were organized similar to DOT, their Offices of the Secretary would be comparable in size to DOT's.

OTHER COSTS

Senator Chiles: Within the request for the Assistant Secretary for Administration is $12.6 million for "other costs". As this represents over 60% of the amount requested for the Assistant Secretary for Administration please provide an explanation of the items funded under the heading "Other Costs".

Response: Over 90% of the funds included as "other costs" are required to provide common administrative type services to all offices under the Office of the Secretary. This includes such things as rental of space and equipment; telephone and postage requirements; printing and photographic services; requirements for computer programming and timesharing services for OST automatic data processing systems; the payroll and personnel system; maintenance of equipment and building alterations; supplies and materials; purchase of equipment; and payments to the Working Capital Fund for services performed centrally for the Department which includes such services as graphics, library and parking and facilities management. The remaining 10% is needed for specialized Department-wide requirements in the areas of safety and health; procurement automation; automatic data processing long-range planning; telecommunications management and review of DOT's implementation of personnel programs under the Civil Service Reform Act.

CONCLUSION OF HEARINGS

Senator ANDREWS. And I want to tell you, Mr. Secretary, and the others who have been participating in these hearings through the last month and a half, that we have appreciated very much your cooperation, candor, and openness.

Secretary Lewis is indeed a great guy to work with. I am sure that you enjoy it as much as we enjoy the challenge of his new ideas and innovative thinking on the other side of the table. I want to make darn sure you realize that I don't necessarily agree with some of these innovations and we may well come head to head between now and some point in the future on them. Perhaps we can change him in some of this thinking where he might well be in error. But we do appreciate his candor and his fantastic ability.

It is a pleasure to work with you, and we appreciate your cooperation through these hearings. I have been particularly impressed by the reaction time.

I have been on the Appropriations Committee for some 16 years. This is the first time I have participated in transportation matters, but in the various agencies ranging all the way from the State Department to the Agriculture Department and the Justice Department and the Commerce Department that I have had the privilege of sitting on the other side of the table from, your reaction rate has been better and faster and more accurate than any of those I have seen in 16 years of serving on appropriations committees.

So you have got a great team together, and we just want to say it has been great working with you so far. Now, if we can turn you around on one or two of the glitches you have come up with, we will be in good shape.

Thank you very much.

Mr. TRENT. Thank you, Mr. Chairman.

Senator ANDREWS. The hearings for the Department of Transportation and related agencies for fiscal year 1982 are concluded. The subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 10:53 a.m., Thursday, April 9, the hearings were concluded and the subcommittee was recessed, to reconvene at the call of the Chair.]

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